SMALL BUSINESS PROGRAMS FOR VETERANS

HEARING

BEFORE THE

SUBCOMMITTEE ON PROCUREMENT, INNOVATION, AND MINORITY ENTERPRISE DEVELOPMENT

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

WASHINGTON, DC, MAY 6, 1987

Printed for the use of the Committee on Small Business

Serial No. 100-5

U.S. GOVERNMENT PRINTING OFFICE
74-920 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H721-20

COMMITTEE ON SMALL BUSINESS

JOHN J. LaFALCE, New York, *Chairman*

NEAL SMITH, Iowa
HENRY B. GONZALEZ, Texas
THOMAS A. LUKEN, Ohio
IKE SKELTON, Missouri
ROMANO L. MAZZOLI, Kentucky
NICHOLAS MAVROULES, Massachusetts
CHARLES HATCHER, Georgia
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
GUS SAVAGE, Illinois
BUDDY ROEMER, Louisiana
NORMAN SISISKY, Virginia
ESTEBAN EDWARD TORRES, California
JIM COOPER, Tennessee
JIM OLIN, Virginia
RICHARD RAY, Georgia
CHARLES A. HAYES, Illinois
JOHN CONYERS, Jr., Michigan
JAMES H. BILBRAY, Nevada
KWEISI MFUME, Maryland
FLOYD H. FLAKE, New York
H. MARTIN LANCASTER, North Carolina
BEN NIGHTHORSE CAMPBELL, Colorado
PETER A. DeFAZIO, Oregon
DAVID E. PRICE, North Carolina
MATTHEW G. MARTINEZ, California

JOSEPH M. McDADE, Pennsylvania
SILVIO O. CONTE, Massachusetts
WILLIAM. S. BROOMFIELD, Michigan
ANDY IRELAND, Florida
JOHN HILER, Indiana
DAVID DREIER, California
D. FRENCH SLAUGHTER, Jr., Virginia
JAN MEYERS, Kansas
DEAN A. GALLO, New Jersey
J. ALEX McMILLAN, North Carolina
STEWART B. McKINNEY, Connecticut
LARRY COMBEST, Texas
RICHARD H. BAKER, Louisiana
JOHN J. RHODES III, Arizona
JOEL HEFLEY, Colorado
FREDERICK S. UPTON, Michigan
ELTON GALLEGLY, California

Donald F. Terry, *Staff Director*
J. Drew Hiatt, *Minority Staff Director*

Subcommittee on Procurement, Innovation, and Minority Enterprise Development

NICHOLAS MAVROULES, Massachusetts, *Chairman*

CHARLES A. HAYES, Illinois
JOHN CONYERS, Jr., Michigan
KWEISI MFUME, Maryland
FLOYD H. FLAKE, New York
DENNIS E. ECKART, Ohio
GUS SAVAGE, Illinois
ESTEBAN EDWARD TORRES, California
H. MARTIN LANCASTER, North Carolina

SILVIO O. CONTE, Massachusetts
JOHN J. RHODES III, Arizona
DEAN A. GALLO, New Jersey
FREDERICK S. UPTON, Michigan
ELTON GALLEGLY, California

Cathleen Garman, *Subcommittee Staff Director*
William J. Angelo, *Minority Subcommittee Professional Staff Member*

CONTENTS

Page

Hearing held on May 6, 1987 1

WITNESSES

Wednesday, May 6, 1987

Bourie, James G., National Service Director, AMVETS, Lanham, MD 29

Ducey, Richard J., director, Job Training Partnership Act, Veterans Small Business Development Program, Boston, MA 25

Ellis, Dick, Director, Office of Veterans's Affairs, Small Business Administration 3

Falkowski, Frank J., executive director, Vietnam Veterans Leadership Program of the Niagara Frontier, Inc., Buffalo, NY 19

King, James L., State Director, New York State Small Business Development Center 7

Weidman, Richard F., director of Government relations, Vietnam Veterans of America, Washington, DC 30

Zamora, Florentino, executive director, Vietnam Veterans Leadership Program, Albuquerque, NM 23

APPENDIX

Abdnor, James, Administrator, Small Business Administration, submission 35

Ellis, Dick, Veterans' Digest 49

Falkowski, Frank J., attachments 195

Farris, Andrew H., Small Business Director, Georgia VVLP, correspondence 203

Kerry, Senator John F. communication 210

King, James L., attachments 211

Prepared statements:

- Bourie, James G 219
- Camacho, Paul R 223
- Hayes, Hon. Charles A 255
- Weidman, Richard F 260

SMALL BUSINESS PROGRAMS FOR VETERANS

WEDNESDAY, MAY 6, 1987

House of Representatives,
Subcommittee on Procurement, Innovation, and
Minority Enterprise Development,
Committee on Small Business,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m. in room 2359, Rayburn House Office Building, Hon. Nicholas Mavroules (chairman of the subcommittee) presiding.

Present: Chairman Mavroules; Representatives Hayes, Lancaster, and Conte.

Mr. Mavroules. The hearing will now come to order.

We are faced with an extremely busy day today with the Defense Bill being on the floor.

I take this opportunity to welcome all of you to our first hearing of the Subcommittee on Procurement, Innovation, and Minority Enterprise Development. The subcommittee has a very ambitious agenda for the 100th Congress and I look forward to the participation of all the members as we begin to address some of the important issues facing us.

This morning we have called a hearing to review small business programs for veterans, and this follows a similar hearing we conducted about a year ago. At that time, testimony revealed several problems with the SBA's veterans' programs and today I wish that I could report to you that all these problems have been corrected. But, unfortunately, that is not the case.

According to figures furnished by SBA, the number of veterans serviced by the agency has declined significantly in the past year. Furthermore, in the last five years, the agency has failed to spend substantial funds appropriated for education and training opportunities for would-be veteran entrepreneurs. This subcommittee is also concerned with SBA's delay in hiring the 10 regional Veterans' Affairs Officers which were authorized in last year's budget. The American veteran has made substantial and long lasting contributions to the well-being and security of our Nation. But more important, the contributions of these veterans do not end upon their discharge. We all know that veterans across the Nation have much more to offer their country in terms of job creation, innovation, and improving America's competitiveness. Clearly, there is much more to be done.

It is our desire to work with the SBA and the veteran community to improve those Federal programs which are devoted exclusively to assisting prospective veteran initiatives. We are fortunate that we have the active interest of an informed and active veteran community throughout the United States. Those involved in assisting emerging business know that training and financial planning are the key to the success of any new business venture. And in keeping with this, it is not our intention as Members of Congress to simply throw money at veterans' programs. Rather, our goal is to insure that those services that the SBA does provide are directed to prospective veteran businessowners. Some of the SBA's existing programs may well hold the key to filling in existing gaps in small business assistance to veterans.

And as we look towards the reauthorization of the SBA budget, the subcommittee intends to carefully examine the possibility of developing closer working relationships between the Office of Veterans' Affairs and successful SBA supported programs such as SCORE and the Small Business Development Centers. In addition, it may well be time to review the Agency Policy Directive on special consideration for veterans which was last revised in 1982. This policy, which provides the basis for all SBA veterans' programs, may need revision in order to better meet the ever changing needs of the veteran community.

Now we will hear from the new Director of the Office of Veterans' Affairs, Dick Ellis. I am hopeful that during his tenure, and with the support of Administrator James Abdnor, the Veterans' Office will once again assume a position of leadership within the SBA. But before I ask Mr. Ellis to give us his testimony, I would be delighted to defer to my dear friend and colleague, Sil Conte.

Mr. CONTE. Thank you, Mr. Chairman. It is indeed a pleasure to be here with our good friends, our country's loyal sons and daughters, the American veterans. And I am equally pleased, Mr. Chairman, that you have the sensitivity, and the concern, to call us here today to address the issue of small business opportunities for the U.S. veteran.

I'm disturbed, however, by the fact that one year after this subcommittee held hearings and reviewed SBA veterans' programs, many of the problems identified still have not been resolved. I know that last year when we met, to the day a year ago, there was a great deal of concern over the future of SBA at that time.

That battle has been fought and won right here in this room. The administration is not going to dismantle the SBA; in fact they have appointed former Senator Jim Abdnor as the new Administrator. I know Jim is very sympathetic to the plight of the veteran and I look forward to very positive movement from the SBA.

As a veteran myself and a beneficiary of the GI Bill of Rights, I would not be here today without that benefit. I know how important it is for the veterans to enter the marketplace and successfully compete against those who did not interrupt their careers for the military service. When our country needed them, our veterans sacrificed everything they had to meet their obligation.

We asked them to put their lives on the line and in return they are asking us to give them a helping hand to realize the American Dream—the dream of owning their own business.

We have a really rare opportunity today to meld the sympathy of this committee and that of the new director of the SBA with the ideas and suggestions of our distinguished panelists. Then we can transform that into a dynamic delivery system designed to fully meet the needs of the American veterans.

I am looking forward to hearing their testimony.

Mr. **Mavroules**. Sil, thank you very much. And let me thank you for all the efforts on your behalf in the past. You are truly a champion on behalf of the veterans of this country.

I have before me a communication sent forth for the record from our distinguished Senator from Massachusetts John F. Kerry, which, without objection, we will place in its entirety in the record.

[Communication referred to may be found in the appendix.]

Mr. **Mavroules**. At this time, I would invite Mr. Dick Ellis, Director of the Office of Veterans' Affairs, U.S. Small Business Administration, to come forth along with James King, Director of New York's SBDC Program, Albany, NY.

Welcome, gentlemen, but before you proceed, perhaps I can refer to my two colleagues who have just arrived if they have any statements at this time.

Mr. **Hayes**. Go right ahead.

Mr. **Lancaster**. No statement.

Mr. **Hayes**. I have a statement, but in the interest of time I can enter it into the record if there are no objections.

Mr. **Mavroules**. Without objection, Mr. Hayes.

Mr. **Hayes**. All right.

Mr. **Mavroules**. Thank you very much.

[Mr. Hayes' statement may be found in the appendix.]

Mr. **Mavroules**. Mr. Ellis, welcome. Thank you for coming and please begin.

TESTIMONY OF DICK ELLIS, DIRECTOR, OFFICE OF VETERANS' AFFAIRS, U.S. SMALL BUSINESS ADMINISTRATION

Mr. **Ellis**. Thank you, sir. I feel compelled that I must start out by saying hello to Mr. Lancaster, who is from my hometown, and is an old friend and a tremendous gentleman. Nice to see you this morning, sir.

Mr. **Mavroules**. He's just a young guy. How can he be an old friend? [Laughter.]

Mr. **Ellis**. Mr. Chairman and members of the subcommittee, my name is Dick Ellis, Director, Office of Veterans' Affairs, and I want to thank you for the opportunity to appear before your subcommittee to share with you what my office is doing to provide small business opportunities for veterans.

There have been recent changes at the Small Business Administration. Mr. James Abdnor, former Senator from South Dakota, was appointed by President Reagan on March 23 to be our new Administrator. I joined the agency four months ago. Working with Mr. Abdnor, we are initiating new ideas and programs which we feel will improve the delivery of our services to veterans. We are very excited, sir, about what the future holds at SBA.

I know there have been problems in the program in the past, and we are working very sincerely to see these problems are corrected.

One of our immediate problems involves our computerized reporting system and a set of inaccurate figures released last year on veterans' activities. These figures indicated a 56-percent decline in the number of veterans trained by the agency in fiscal year 1986.

The computer print-outs from SBA show a decline in veterans trained during 1986 over 1985. However, we noted discrepancies in these figures and did a separate survey of the Districts which showed the largest declines and concluded two things. The figures on training were unreliable due to a breakdown in the automated reporting system. And, number two, we trained about the same number of veterans last year as in 1985. Our survey shows a hand count of forms used or the 1986 training sessions at about the same level as the previous year. And there were actually more veterans' conferences held in 1986 than in 1985. Since our counseling level also remained about the same, we conclude that our training in fiscal year 1986 is not 56 percent less than the year before. We feel inaccurate training figures recorded into the computer network were basically responsible for the drop in statistics.

As a result of this mistake, SBA has hired a contractor and is in the process of overhauling the field reporting process. That contractor will be contacting our resources to obtain from them certifications as to the validity of the figures they reported earlier.

The veteran office at SBA is responsible for coordinating special consideration for veterans within the agency and we do provide services to women, minority, and handicapped veterans. Let me give you some examples:

In early April, I had the privilege of testifying before a House Veterans' Affairs Subcommittee on Women Veterans. We are proud to report that during the past three years more than $65 million in loans have gone to women veterans, or 7 percent of all SBA loans to women.

Our record shows women veteran entrepreneurs entered mostly into retail trade and service-type industries. For example, the Small Business Administration has helped launch two new car dealerships, a boat dealer, an electrical contractor, a plumbing contractor, and an airport flying service—all owned by women veterans. Texas, California, Missouri, Nevada, Louisiana were the top five States for women veteran business owners assisted by SBA.

Since SBA began a direct loan program to Vietnam-era veterans some $65.5 million has been disbursed throughout the country. Of this, some 20 percent of the money has gone to minorities well over the percentage of Vietnam-era minority veterans.

So far this fiscal year, more minorities have participated in the veteran direct loan program than at any time since its inception. A total of 26 percent of our direct loans went to minority veterans.

The Small Business Administration operates an answer desk with a toll-free 800 number. Presently, we average about 1,000 calls per week asking how to start a business and where to receive counseling. One hundred of these calls each week are from minorities.

At the request of the National Conference of American Indians and in cooperation with the U.S. Department of Labor, a five-conference series has been conducted for American Indian veterans and was most successful. This year our local offices are planning three training seminars in the Dakotas, several in New Mexico, and one for Indian veterans in Wisconsin, Michigan, and Minnesota areas.

The committee has asked for some information on the history of our direct loan program to Vietnam-era veterans. In the beginning, this program was not lending at full capacity and only about 60 percent of the funds appropriated by Congress were getting to our veterans.

But following the May 7, 1986 hearing before this subcommittee, all SBA offices were notified to improve their performances, and training sessions were held at the Regional and District levels for Veterans' Affairs Officers to make them aware of the problem. Thusly, last year we made 299 loans for $19 million using our full authority. For the first six months of this year, we made 129 loans for $9.5 million, representing half of our budgetary authority.

Also, our guaranty loan program each year provides some $600 million in loan benefits to our veterans. For the last four years, one of every four SBA guaranty loans has gone to a veteran.

With regard to the elimination of funding to direct loans, it is our position and that of this Administration that our staff resources provides more assistance to more people through the guaranty loan program than through the staff intensive direct loan program.

We believe that Government should return banking to banks, especially since the banks are better able to provide the day-to-day business services that small businesses require. Elimination of our direct loan program will help the small business person establish a better relationship with the banker.

SBA's Office of Veterans' Affairs is this year launching five special training projects around the country costing $500,000. The pilot of these entrepreneurial courses was instituted last year in cooperation with the U.S. Department of Labor and the State of South Carolina. To date, 60 specially selected veterans are being trained in a 21-month program that involves counseling sessions and classroom work in business start-up.

So far, 16 of the veterans have already started their own businesses, and at least 85 percent of the students are expected to eventually start a business. We are proud to say the 16 businesses that have already started have created a total of 31 new jobs in South Carolina and many of them are for fellow veterans.

The committee has asked about the status of Veterans Business Resource Councils, or VBRC's, a nationwide network of volunteer organizations comprised mostly of veteran businessmen and women offering various business related services to their fellow veterans. Services such as counseling, sponsoring business development conferences, job placement in veteran owned businesses and others, are offered.

Today there are 29 VBRC-type councils in existence around the Nation. These volunteer groups are difficult and expensive to maintain because of their volunteer status, but one of the top priorities of my office is to expand this network of helpers and then keep them active by creating such things as membership certificates, group activities, and possible field trips to maintain interest and membership.

The SBA Office of Veterans' Affairs operates on just over $1 million a year. $700,000 of this is budgeted for veterans' outreach. In the past, we have not fulfilled our outreach responsibilities and have not expended all of our outreach funds that were appropriated. But Mr. Chairman, during my four months as Director of Veterans' Affairs, we have spent, or obligated to spend, some $350,000 of this fund, and we intend to expend all of the funds allocated on worthwhile and needed programs.

Examples include two entrepreneurial training projects for approximately $100,000 each in Hawaii and California, and one in Texas for $30,000. In the negotiation stages are Ohio and Missouri for another $200,000 total. These figures do not include the printing of our new Veterans Research Digest, the creation of a media campaign such as radio and television advertisements, and public service ads for magazines and newspapers advising veterans of our services, counseling, and training.

Also needed is funding for a number of smaller special interest conferences such as teaching veteran-owned businesses how to sell to the government, franchising seminars, and one we will discuss in a moment: The creation of more homebased business conferences for disabled veterans.

I assure you and the members of this committee, Mr. Chairman, that as long as I serve veterans at the Small Business Administration, we will spend wisely every penny you allocate to us, in service to veteran small business owners.

Some of our funding will also go to the creation of 10 new positions for Veterans' Affairs Officers, one in each of our Small Business Administration Regions.

To date, Veterans' Affairs Officers have been hired in San Francisco, Atlanta, and Kansas City Regional Offices. The San Francisco candidate, by the way, is himself a wheelchair disabled Vietnam veteran. We expect all to be on board by mid June and we are planning an extensive training session here in Washington by August or September.

All of the new officers are career Federal employees, at our direction, none is a political appointee and each will directly report to the Regional Administrator. Each will spend 100 percent of his or her time working for veterans on programs prepared and directed from the National Office. We will act as a skilled national team outreaching to veterans.

Another area we were asked to address is our service to disabled and handicapped veterans. In the committee's questions, the word "catastrophically" disabled veterans was used. Since we have no such category within SBA, I will comment generally on our disabled and handicapped programs.

For handicapped, we have used the Handicapped Assistance Loan Program. Over the last four years some $10 million has been distributed to 102 veterans, of these, 54 disabled veterans have been assisted with $3.1 million. Although we are proposing to eliminate direct HAL as part of our budget proposal to discontinue direct lending, we can continue to serve disabled veterans through the 7(a) guaranty loan program. Also, I'd like to mention that we set guidelines for at least 10 percent handicapped participation in all conferences and seminars sponsored by SBA veterans' offices, as well as by States which participate in the special entrepreneurial training programs. Ohio has allocated 25 percent of their classroom space for handicapped veterans. In the future, we hope to have plans prepared for guiding and urging handicapped veterans to create homebased businesses of their own, such as computer contracts, or even a bed-and-breakfast establishment. These plans are now on our drawing boards.

Mr. Chairman, I have just appeared before the Board of Directors of SCORE, the Service Corps of Retired Executives and received permission to create a Veterans' Affairs Officer in each of their 600 SCORE chapters across the Nation. SCORE has so much to offer a new entrepreneur and a pool of knowledge that represents hundreds of years of executive experience. Having a team of SCORE veterans will further expand our network of service to veterans.

I ask you and your colleagues to look forward with us, sir, and not backward to what has happened in the past; and judge those of us who are newly appointed by what we do. And right now we plan to do a lot for our veterans in the coming months.

Mr. Chairman, this concludes my prepared statement. I will attempt to answer any questions.

Mr. MAVROULES. Thank you very much, Mr. Ellis. I think that we will hear from Mr. King before we ask any questions. Mr. King, please proceed.

Mr. KING. Thank you.

TESTIMONY OF JAMES L. KING, STATE DIRECTOR, NEW YORK STATE SMALL BUSINESS DEVELOPMENT CENTER

Mr. KING. Mr. Chairman, members of the committee, my name is James King and I am the State Director of the New York State Small Business Development Center administered by the State University of New York. I'm very pleased to be here today.

The SBDC is a cooperative venture between SBA, the State of New York, and host educational institutions comprising a network of service locations to deliver direct one-to-one counseling, training, and research in support of entrepreneurship and small business. Our objective is to combine the local, Federal, and private sector resources in support of the small business opportunities within New York State.

From an original five locations in 1984, our program has expanded to 17 regionally located service centers across New York State, with the Central Administrative Unit in Albany, NY.

During this relatively brief history we have directly counseled over 4,600 individuals, which averaged about 8.1 hours of assistance. That represents about 26 man-years of direct counseling effort within New York State since we started. Additionally, about 11,600 persons have attended sponsored, or co-sponsored, training. I think those numbers appear substanial, but I think we can do much more, and especially more in relation to our efforts with veterans.

We have been provided a list of topics you would like to see addressed today, and I would just like to give a few brief comments on those individual topics.

To begin, special consideration given to veterans under SBA guidelines has been adopted by our program to be implemented as special emphasis. In this area, we try to identify programs and special outreach activities that we can specifically conduct to invite veterans to participate in the resources that we provide.

I tend to evaluate those efforts by analyzing the number of veterans that take advantage of the service in comparison to how they are represented within the State demographics. So far, our client base has been composed of about 18.2 percent veterans, and that is a favorable comparable figure to the representation of veterans in New York State of about 14.7 percent.

We have also attempted to place special emphasis on Vietnam-era veterans, because we believe they represent a significant entrepreneurial resource. In New York State, 3.1 percent of the State's population of 16 and over are Vietnam-era veterans. Our client base has been composed of 7.2 percent of Vietnam veterans, or, 132 percent greater than the demographic representation within the State.

Attached to the presentation are a series of graphs which break down specifically what those veterans have been requesting, the areas of businesses they have pursued, their composition by gender, minority status, and the types of services that we have provided. From those statistics I think veterans oftentimes compare directly with the small business sector in general, with two major exceptions—and those are two very positive exceptions—the first being that veterans are oftentimes more likely to go into manufacturing endeavors. We like to encourage manufacturing because that is one of the niche opportunities within our country to compete internationally. Manufacturing also has much more economic benefit than some of the other small business concerns to our economy. The second exception is veterans' overall startup and entrepreneurial activities. Veterans tend to be very aggressive in their start-up activities and they tend to be more successful than the nonveteran groups.

I believe a large portion of the success we have experienced so far in the program may be attributed to dedicated efforts of the veterans' organizations that we have been working with to qualify veteran referrals for assistance. It is my hope that we can continue to strengthen those relationships and specifically develop targeted and programmatic support for some of those veterans' organizations in the small business arena.

Based on the statistics provided by SBA earlier, and I think Dick has just indicated that those statistics may not be totally accurate, if there was a dramatic decline in the assistance to veterans I think that it can be partially attributed to the adverse publicity over the last couple of years with regard to SBA.

I know I spent a lot of my time and a lot of my State's staff time running around the State and simply advising veterans that the services were still available. They would read a lot in the paper and often would just not make the effort to find out about available resources. With the restoration by Congress of the support for SBA and Senator Abdnor's confirmation, I think a lot has been resolved to do away with some of those lingering questions, and I think we are at the point where we can get back to doing business in the way Congress intends. Given a dramatic decline in veterans assistance, I believe special considerations should be made to develop targeted outreach activities that will be necessary to increase the participation of veterans in the program. This outreach will need to be supported by quality service in an efficient, cooperative, and systematic approach.

One of the areas of concern identified is the direct lending program. I really believe that the direct lending program is one of those special considerations which actually exists for veterans. Although veterans are eligible for the SBA guarantee program, the direct lending program recognizes the special status of veterans and is consequential in terms of the ability to start and operate a small business by veterans.

The justification to eliminate direct loans is that veterans can obtain similar capacity in the guarantee program or through commercial lending. Although the rates are similar, this reasoning does not include the basic access to capital which oftentimes is not present and the flexibility that the direct lending program provides in leveraging start-ups—being able to borrow additional funds because of the direct lending program's subordinate position.

The direct loan program also has, I believe, a veterans' multiplier effect. This refers to the frequent characteristic where veteran-owned businesses have a higher than normal percentage of employees as veterans. In this way, a single direct loan to a veteran which might not otherwise be available, impacts several additional veterans by developing employment opportunities. Therefore, I would like to urge the continued support of the direct lending program for veterans.

The congressional appropriation for outreach and training for veterans is difficult to determine without deciding on the level of services that Congress intends to provide. With over 2 million veterans in New York State alone, I do not believe that $1.2 million is an adequate national funding. How much more is needed depends upon the intent of Congress with respect to the quality of services that you wish to see delivered.

Our experience shows that veterans tend to be very receptive to direct counseling and training initiatives and represent a motivated entrepreneurial group. If we are to make a meaningful difference in the veterans' population, we need to prototype various initiatives and build upon the successful programs by replicating them across the country.

One of the concerns I would like to express in this area is the manner in which increased services are accomplished. Past changes in the priorities of SBA have been undertaken in a stagnant or declining fiscal environment. I do not believe we can continue to simply reallocate resources from one area to another and receive major net benefits. If entrepreneurship and small business is as critical to our future as I believe and veterans are to be given meaningful special consideration, then incremental fiscal support needs to be found.

Finally, I would like to summarize a prototype program we hope to implement in New York State. Over the past two years, we have been working with the Vietnam Veteran's Leadership Program in Western New York to identify entrepreneurial veterans for longer-term direct counseling. Although direct counseling is a labor intensive and costly service, it represents the higher quality involvement most entrepreneurs need.

Simultaneously, we have been working to improve the efficiency of direct counseling through interactive laser disc training. I am pleased that the committee and staff were offered the opportunity to see this system earlier this week. Basically, interactive laser disc training is computer-assisted counseling where an individual with little or no computer experience can sit down at a personal computer and respond to a series of questions to evolve a business plan, to have that plan reviewed by a simulated loan committee, and actually simulate operations of that business for a period of a year. From initial testing, with proper screening and access to counselors, very favorable evaluation of this method and impact results for this system have been obtained. We now propose to combine veterans' outreach with interactive training to efficiently deliver entrepreneurial services.

Thank you, and I would be pleased to answer any questions.

[Charts referred to in Mr. King's testimony may be found in the appendix.]

Mr. **Mavroules**. Well, thank you very much Mr. King and Mr. Ellis, for very excellent testimony here this morning. I want to show you, Mr. Ellis, that it is not the intent of the committee to go back onto old grounds. That would be beating up on people, and that is not the intent, I do not think that any of us have that in mind. However, I would be remiss if I did not at least relate to you my personal feelings that I think the job that had been done in the past was certainly less than adequate.

It appeared to me, personally, I can't speak for the committee, that funds were out there and somehow the SBA or those who were responsible for spending funds within the agency, rather than finding ways to spend the funds in a meaningful manner, were trying to find ways of holding them back. And that is not the intent of the law. We have an obligation, we want to do the very best we can. Especially for the veterans.

I'm very much impressed with your testimony here this morning. We want to go on from here and find out if we can really implement a program that is going to be effective for all the veterans.

I do have a couple of questions and I will refer to my colleagues. I think in your testimony, Mr. Ellis, you stated that some of the funding will also go to the creation of 10 new positions for veterans' affairs, and we thought that that would have been done last year. That was the impression we had. I think the SBA was lacking in leadership in that role.

When do you feel we can have those completed and in place and we can get this thing rolling?

Mr. **Ellis**. The day I was interviewed for the job, sir, the first marching orders I received from the acting Administrator were we had been under orders from Congress for almost a year to hire 10 new Veterans' Affairs Officers and we have not done it. Get out there and do it.

And I said, "Yes, sir."

And so we started right away, January 1, into this process, doing that. And already three are hired as of yesterday afternoon. Three have been hired. We hope that by the middle of June that all will be in place. And we plan by July, or August to have a training school here in town.

We had some trouble in one of our regions; they had 43 people who applied for the jobs, and they did not like any of them. They called and asked, "Can we have permission to readvertise and start all over, because we want the sharpest dynamic person we can get for this position to help our veterans?"

And I said, "Please do." It is going to cost us 30 days, but to me it is going to be worth it.

So we are very sincere in that effort of getting the best possible candidates and marching forward as rapidly as possible.

It is holding me up, too, sir.

Mr. MAVROULES. Well, that is great. But I think that it is a step in the right direction, and it is something that should have been done a long, long time ago. This is the kind of initiative we need from you.

And by the way, I did talk with Jim Abdnor, a former colleague and good friend. And he indicated to me that he really, really wants to make all the programs work. Hopefully the administration will give him the flexibility to do that job and do it right because he can do an awful lot of good for small business.

I just have a couple of other questions.

It is my understanding, because we are getting into other hearings later on, that your office is currently exploring ways to incorporate some veterans into the Small Business Administration's 8(a) Program. Can you describe the details of what you are trying to do?

Mr. ELLIS. Yes, sir.

Again, this is just in the talking stages. We are trying to find out if we are on shaky ground, or are we on solid ground; what we can do with it. I have a very strong personal feeling, and we have talked to a number of disabled veterans who have called us and visited our office from around the country. I feel very strongly, personally, that a 100-percent disabled veteran certainly is at a total financial and social disadvantage. And I think that that is the wording of the 8(a) rules and regulations. I feel a 100-percent disabled veteran regardless of his race, creed, or color, is in as much of a social disadvantaged position and financial disadvantaged position as any minority in this world. And I would like very much to see a 100-percent disabled veteran because I understand that it has been taken advantage of quite a bit in the past. But a 100-percent disabled veteran be allowed to participate in the 8(a) situation and we are trying to get our ducks in a row now to approach the Administrator, see his feelings about it, and we have been talking to some of your staff people about it. We are just trying to get the initial stages together to see if it will float, sir.

Mr. MAVROULES. OK. I have a final question to ask Mr. King.

Mr. Ellis, it is my understanding that the Veterans' Office has established a new advisory council. How often does this group meet?

Mr. ELLIS. Well, we are trying to get in a groove with that, sir. I met with them initially when I first came on board; I think that was in January. I have told them that we would call them back again when I had some meat to throw on the table, if you will. And we have a meeting scheduled tomorrow morning in the Administrator's office to meet personally with Mr. Abdnor at 10 o'clock, and then we are going to adjourn to my office to work on some meat-and-potatoes issues.

Mr. MAVROULES. Do you intend to also schedule regular meetings of this advisory council?

Mr. ELLIS. Yes, sir.

Mr. MAVROULES. They can be tremendously helpful, by the way.

Mr. ELLIS. Yes, sir. I understand that, and I want their input. But as I told one of our council members this morning before we convened the hearing here is that I am not going to waste your time or mine calling you into my office every 30 days when I do not have anything to tell you. And it has taken me four months to get our train back on the track and moving and steam up, and I think that now we have some dialogue that we can carry back.

Mr. MAVROULES. OK, that would be great.

Mr. King, from your testimony it is quite obvious that under your leadership the State of New York's SBDC has taken the lead in providing services to veterans. We commend you for that, by the way.

How much contact do you have with the Office of Veterans' Affairs at SBA?

Mr. KING. Recently, a fair amount. I have had several discussions with Dick over the last several months. Prior to that, we had very little involvement. Our involvement was primarily with the veterans' organizations across the State. And that has been, I think, more fruitful in the long run for us.

Mr. MAVROULES. So you kind of agree with what Mr. Ellis is trying to do, at least the new initiatives under the new leadership.

Mr. KING. I think that, to put it bluntly, it is a breath of fresh air to see Dick coming in, and to see someone who is, I think, dedicated to doing a good job for veterans.

Mr. MAVROULES. Good. OK.

And I understand that you have some real innovative new technology up there in New York combining laser discs and computers to provide business training to veterans and others. Can you briefly tell us about that?

Mr. KING. Sure. The laser disc system was started almost at the start of the SBDC Program by exploring the possibilities. We have tested it now with five group settings representing, demographically, different types of entrepreneurial individuals. Our experience has been what I would call phenomenal wherein a group setting of 10 to 30 individuals, up to 85 percent of them are in business within three months of completing the training.

The average investment that those people are making is in the neighborhood of $50,000 to $100,000 in their small business. The system has received an extremely favorable review by the commercial lenders, by SBA, and by some of the State financial resources that have made investments in those businesses.

Up to this point, we have had a lot of difficulty in being able to take that system statewide. Primarily, because it is a fairly expensive undertaking. Luckily, last year, New York State gave us a special appropriation of slightly over $1 million, and we spent almost half of that amount specifically in this area to equip each one of our 17 regional offices and one in my central office with a complete working interactive system.

Ideally, I would like to scare up the funds to put a minimum of five units at strategic locations because we have found that this system works very well in a small group where the entrepreneurs can provide interplay with each other and discuss the evolution of their businesses. And it usually works best when we have a professional there to answer specific questions because no matter how user-friendly the system is, some people sit down and they incur what you call "keyboard fright." They are afraid that if they hit the ENTER key they are going to blow up Pittsburgh or something.

We interview each of the individuals who make use of this system after the training and they have indicated at the rate of about 98 percent that it is an excellent system and that without it they are not sure that they could have made a go of it in business.

Mr. MAVROULES. Very good. Thank you very much. Will not Mario give you some more money up there in New York? [Laughter.]

Mr. KING. We are trying.

Mr. MAVROULES. Mr. Conte.

Mr. CONTE. Very briefly, I want to follow up what you said, Mr. Chairman, that we are not here to beat up on them. Mr. Ellis, when did you come on board anyway?

Mr. ELLIS. I came on December 12, sir. The day before my birthday.

Mr. CONTE. Well, it was a good present.

I was encouraged by your last paragraph, "and do not look backwards in the past but what you are going to do in the future." And we will be working with you. I know that the chairman and I will be working with you. And I want to take this opportunity to commend Jim King for what sounds like a real great program he has got going up there.

I was wondering whether our group with SBDC in the University of Massachusetts in Amherst has been in contact with you.

Mr. KING. I have told Chic about the systems.

Mr. CONTE. Have you? Good.

Outside of money, Mr. Ellis, what do you feel is the most important function or service that the SBA can provide to our veterans?

Mr. ELLIS. We call it outreach and education, sir. We have got to literally get out and shake the bushes. We have done some preliminary studies that were done before I came on board that indicate that veterans are very highly unlikely to get involved in a government program because, in many cases in the past, they have probably got a bad taste in their mouth for their relationship with the government, which was probably from a basic training camp, or with a couple of years in the military, or that sort of thing.

And so veterans are less likely than their non-veteran counterparts to participate in a government program. Our statistics indicate that only about 16 percent of our Vietnam-era veterans have even heard of the Small Business Administration, much less have taken advantage of some of our services.

So what we need to do, I feel very strongly, sir, is to make a strong outreach and education program, combined with speeches and beating the bushes, and some public service announcements, and maybe newspaper/TV ads to let them know that if you are a

Vietnam-era veteran somebody cares about you and there is an organization in Washington that will help you.

Mr. CONTE. Thank you. Do you have any print-outs to show the percentage of Vietnam veterans who availed themselves to the SBA? Or own business, what their backgrounds were, whether they were graduates of a vocational school, or whether they have gone through a retraining program?

Mr. ELLIS. No, sir, I do have some statistics indicating how many Vietnam veterans are participating in our programs, have attended our conferences, or have been to our special training schools, or have received money. But we do not keep any records at all about what their backgrounds are or their educational backgrounds. No, sir.

Mr. CONTE. This new trade bill, if it ever gets to the President's desk and he signs it, contains a lot of money in there for retraining. I find that even when we had high unemployment in Massachusetts, with a tremendous shortage of skilled workers, and a lot of them who own those small businesses, and take my home town of Pittsfield, graduated from vocational school.

Mr. ELLIS. Yes, sir.

Mr. CONTE. I happen to be biased because I graduated from there, too. I think that it is a good background.

Do you know what the failure rate is of the veteran owned businesses and how does that compare with some non-veteran businesses?

Mr. ELLIS. I do not—do we have that in our digest?

I think that it is about the same as the average public member, sir. Something like two out of three small businesses go out of business in the first two years, and the number one reason is a lack of business knowlege—how to run a business. Number two is a lack of adequate capitalization. And what we are doing with our entrepreneur training courses is that to graduate you have to write a business plan, you have to know what you are going to do down the road one, two, three, four, and five years before you can even graduate from our program.

Mr. CONTE. Good. How did you discover that the computer printout was wrong?

Mr. ELLIS. When we got the computer print-out we looked at it, and the numbers were just out of space on it, sir. There was a tremendous decline. Now, there are a lot of involved factors. It is like why did the Space Shuttle explode? There is no one reason, there are about 100 different reasons that just happened to come together at the crossroads at the same time.

The same thing here. There was some talk of closing down the SBA, I am sure that attitudes—and you cannot get statistics on attitudes—but I am sure that morale and the attitudes were rock bottom. Well, if we are going to be closing in a few months, why bother?

We saw all of this tremendous decline in these figures and we knew that something was wrong because we had the same number of conferences; we had paperwork. Each person filled out an application when they came in and we went back and hand-counted these things and they showed, so we traced it down to three regional offices or district offices, and we feel that a computer clerk simply typed in a lot of wrong figures.

Also, I might get in trouble for saying this, there is a possibility that a lazy bureaucrat just threw some numbers on a table to shut his boss up, sir, to be very candid and honest with you. And we have traced these numbers back, and we think that we can tell where they are coming from. Our contractors, whom we have hired to come in and straighten this mess out, have already visited these regional offices and said: "Verify your facts. If you claim they are right, where did you get them? I want to see."

And so I think that we have pretty well straightened out where it came from.

Mr. CONTE. Well, I hope so, because it sure does not sound too encouraging to hear something like this. You mentioned the Veterans' Digest. When is that coming out?

Mr. ELLIS. We just had it printed, sir, and here is the first copy of it. We intend to mail this out to Congress, to all veterans' organizations around the country, and to all our SBA people and those who could use it. It is a digest of about 12 or 13 separate research projects that have been funded by SBA over the past two or three years, and we have put it all together into one document here.

Mr. CONTE. We will be looking forward to looking at that.

Mr. ELLIS. I will see you get one right away.

[The digest may be found in the appendix.]

Mr. CONTE. You have a toll-free answer desk. How do you profile your callers? You state that 100 of 1,000 weekly calls are from minorities. How do you figure that out?

Mr. ELLIS. We asked the question. Now we do not run the answer desk. That is run by the Advocacy Program of SBA. But they have a sheet and they fill out a form when you call on the toll-free number to ask questions about how to start a business. They ask you: "May I ask where you are calling from?" or "Do you want an information packet? Would you like some brochures?" They get your name, address, and phone number, and they ask you "Are you a veteran? Are you a member of a minority group?" and that sort of thing.

So we have pretty accurate profiles on that.

Mr. MAVROULES. Thank you very much, Mr. Conte.

In relation to what Mr. Conte did say, I remember when I was working as the chief executive back home that we had a very good, hard, and interesting vocational and career education program. The employment figures coming out of that program right after the high-school level, total 96 percent of meaningful employment for youngsters coming out of school that now want to go on to higher education.

So I think what Mr. Conte is saying is right on the button. That is a great, great resource out there; we should be using it.

Mr. Lancaster.

Mr. LANCASTER. I have no questions, but simply want to comment for the chairman and the committee that Mr. Ellis apparently is bringing to his new job the same kind of commitment and dedication that he demonstrated in his television and State government jobs in North Carolina. We are glad to have you.

Mr. ELLIS. Thank you, sir.

Mr. MAVROULES. Thank you very much. Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. Ellis, in your testimony you say that the elimination of our direct loan program will help the small business person establish a better relationship with his banker.

Mr. ELLIS. Yes, sir.

Mr. HAYES. Will you elaborate on that for my purposes?

Mr. ELLIS. Yes, sir.

We feel very strongly—again, I had to be careful not to criticize my own people too much—but sometimes government has a tendency, as we all know, to throw money at a problem. "Here, veteran. Here is a loan. Take it, go away, and do not bother me anymore." We are talking about your personal neighborhood banker, sir, who has something at stake. A government bureaucrat who gives you 10, 20, or 30 thousand dollars has really no obligation to follow it up, and in many cases, I am ashamed to say, cares less what you do with the money or where you go.

But your neighborhood banker has something personal at stake. He is also your neighbor, and it is his personal money or his company's money. And I think my personal opinion is that he might have a little more tendency to follow you, to give you some phone calls, to go out and have lunch with you, and to take you under his wing as an experienced banker, as a young veteran starting your own business, and spend a little more time with you.

And we have the SCORE chapters, we have the regional and district offices, and we are trying to start our Veteran's Business Resource Councils to have somebody to go to. I started a business in my hometown and had nobody to turn to. I did it all myself because I did not have an SBA office or a veterans group in my hometown that would help me start it.

And so we feel very strongly that a banker would offer you more personal service than a government bureaucrat would.

Mr. HAYES. I take it from what you have said, Mr. King, that you do not share that opinion.

Mr. KING. No sir, I do not at all, from several perspectives. One is that the commercial lenders have a very different attitude towards lending. Banks are collateralized lenders. And oftentimes the veterans do not have the collateralized assets that are sufficient to make it a commercial lending activity. When it comes down to the amount of time that commercial lenders will spend with their clients, if we are talking about small business, we are really talking about a drop in the bucket for a commercial lender. If you are talking less than $1 million you usually get a very superficial review and almost no follow-up contact.

When we are talking about an agency like SBA, it has a lot of administrative and counseling services available that can be called on to service those loans. I think that is one of the systematic approaches that can be implemented to make it a very viable and very healthy program.

Mr. HAYES. As the chairman knows, some of us on the Small Business Committee support the retention of this program. And I was surprised to hear Mr. Ellis say that the efforts to get a loan might be enhanced if we did not have that kind of program.

But again, Mr. Ellis, returning to your statement. In regards to your Entrepreneurial Pilot Program—and I know this might have occurred before your time, you say that you came in in December of last year—which the Office of Veterans' Affairs conducted in South Carolina. It is my understanding that you intend to fund several other programs in other areas of the country based on the results of the South Carolina project.

Am I correct in assuming that?

Mr. ELLIS. Yes, sir. Five of them this year.

Mr. HAYES. Could you tell me the total number of minorities, women, and handicapped, who participated in this South Carolina project?

Mr. ELLIS. Sir, we had a total of 400 people who applied for the program. Their paperwork was scrutinized and it was narrowed down to 60. Nine fell out in the initial stages, and it came down to, like 51, I think, was the final number.

Of those, two were women. One was a black woman; one was a white woman. The committee told me that they scanned the entire State of South Carolina and spent countless hours and days trying to recruit women to participate in the entrepreneurial program. They finally recruited two; one dropped out after three days and the other one dropped out after a couple of weeks.

As far as handicapped, I think that there was our standard requirement that at least 10 percent be handicapped veterans and I am not sure about the minority number.

I can get it for you, sir. There was a quota.

Mr. HAYES. If you could get it for me, I would appreciate it. I do not want to be hanging with the thought that maybe those that did succeed were all white. I do not want to make that accusation.

Mr. ELLIS. I do not think so.

Mr. HAYES. All right.

My final question: Do you intend to establish participation goals for these groups in upcoming pilot projects?

Mr. ELLIS. Would you ask that again please, sir. I am sorry.

Mr. HAYES. Do you intend to establish participation goals for these groups in the upcoming pilot projects that you had mentioned before?

Mr. ELLIS. Do you mean quotas? Racial quotas?

Mr. HAYES. Well, you call it what you want. That is what it amounts to.

Mr. ELLIS. Well, I am trying to understand what you are asking.

Mr. HAYES. That is right.

Targets, we will call it.

Mr. ELLIS. Sir?

Mr. HAYES. Targeted in certain——

Mr. ELLIS. Yes, sir. Right now we are requiring at least 10 percent be handicapped. We have not put any percentages as such on minority and women, but we are asking that they certainly try to recruit as much minority and women participation as they can.

But I do not think that we have put a percentage cap on it, sir.

Mr. HAYES. But you have a percentage on handicapped?

Mr. ELLIS. Yes, sir, we do.

Mr. HAYES. I wish you would consider some of the percentages and figures on minorities and women. I think it would be helpful.

Mr. ELLIS. Sometime, sir, if you like, for example, our South Carolina thing, if I may explain to you. I went down there and spent two days with them. They assured me that they bent over backwards to recruit some women to participate in this thing. They went all over the whole State of South Carolina, spent several months working on it, and could only recruit two, and both of those dropped out.

So now, if we put a requirement on it, and they cannot get women to participate in their program, then technically their funds would be withdrawn. And it would not do anybody any good. So we are very careful not to put a definite requirement on that if we can. But we encourage them very strongly to recruit as many people as they can to participate.

Mr. HAYES. Thank you, Mr. Ellis.

Mr. ELLIS. We do not want to hamper the project.

Mr. MAVROULES. Thank you very much, Mr. Hayes.

I might add that probably we are going to meet again next year.

Mr. ELLIS. Yes, sir.

Mr. MAVROULES. We will be back here. And if you can document perhaps what you are stating, it would be helpful for next year so that maybe when Mr. Hayes or someone else asks a question, you will have the answer right there in front of you.

Mr. ELLIS. Yes, sir.

Mr. MAVROULES. And I agree with you. We want to encourage the program rather than take away from it.

OK? Thank you both very, very much. Mr. Conte.

Mr. CONTE. You say 10-percent handicapped. What would be your goal? What if you could not get 10 percent? You would not have the conference?

Mr. ELLIS. No, sir, we would not stop it. But we would look to see if they made a sincere effort to recruit 10 percent.

Mr. CONTE. Ahh.

Mr. ELLIS. And the same with minorities and women. If they can demonstrate to us that they made a sincere effort, then we would let it roll.

That is what I was telling Mr. Hayes. We do not want to stop it because they cannot make two or three people requirements. That would ruin the whole program.

Mr. CONTE. All right.

Mr. ELLIS. But we do require that they show us some good faith.

Mr. MAVROULES. Very good.

Well, thank you both for your excellent testimony this morning. Thank you.

Our final panel: Frank J. Falkowski, Executive Director, Vietnam Veterans Leadership Program of the Niagara Frontier, Buffalo, NY;

Tino Zamora, Executive Director, Vietnam Veterans Leadership Program, Albuquerque, NM;

Rick Weidman, Legislative Director, Vietnam Veterans of America, Washington, DC;

James Bourie, National Service Director, AMVETS, Lanham, MD; and we did have another on the schedule;

Rick Ducey, from Boston, MA.

All right. What we will try to do is we will take your opening statements. We will try to withhold any questions until you have completed your testimony, then we will go right to work and ask some questions.

Mr. Falkowski, please begin.

Mr. Falkowski. Thank you, Mr. Chairman.

Before I begin my testimony, I would request permission from the committee to keep the testimony open for a couple more weeks so that other small business advocates across the country could submit testimony and recommendations.

Mr. Mavroules. Do I hear any objections from any member? If not, without objections, it will be granted.

Mr. Falkowski. Thank you, Mr. Chairman.

TESTIMONY OF FRANK J. FALKOWSKI, EXECUTIVE DIRECTOR, VIETNAM VETERANS LEADERSHIP PROGRAM OF THE NIAGARA FRONTIER, INC., BUFFALO, NY

Mr. Falkowski. Mr. Chairman and members of the committee, on behalf of the Vietnam Veterans Leadership Program, and of New York State's Small Business Development Center, I would like to thank you and the members for providing us the opportunity to address you with regards to the staple issue of Vietnam veterans and small business.

I would like to take just a minute to thank Congressman John LaFalce from New York, Congressman Mavroules from Massachusetts, and their staff members for the valuable assistance in securing this hearing and for their help with the Sixth Annual Speaker's Conference. It is greatly appreciated.

When I became Executive Director of VVLP in 1984, one of my many goals was to develop initiatives specifically targeted at revitalizing the Vietnam veteran position in employment and small business given the economic decline of our western New York area. As a Vietnam veteran small business advocate and Executive Officer of a family owned and operated small business, it became painfully clear that severe gaps in the delivery system addressing small business needs for veterans existed.

Because of our high veterans' population in Erie County and with many veterans contacting our VVLP Office for Small Business Information and Networking, I set out to learn about the stumbling blocks faced by Vietnam veterans in the area of small business. We invested much time in discussing veterans' small business problems and possible responses with economists, SBDC officials, and business leaders and we reviewed the likely range of options that were available to veterans in New York State as well as across the Nation.

During this research period, we worked toward the development of a comprehensive and coordinated pilot program initiative to address the needs of Vietnam veterans seeking small business assistance. As a unit of the Research Foundation of State University of New York, the VVLP and the Buffalo Regional Center of the Small Business Development Center, began an unfunded pilot program to address the demand and need for essential benefits and services for veterans possessing an entrepreneurial spirit yet lacking the needed training and start-up capital that it takes to be a success in small business. The estimated veteran population for our region according to the Veteran's Administration is 46,556. From October 1984 up to and including March 31, 1987, the Buffalo based SBDC provided counseling and technical support to 860 clients, of which 10 percent were Vietnam-era veterans and 15 percent were veterans of other eras.

This service resulted in a total of 543 jobs saved and 406 jobs created. From these statistics it is safe to assume that given the additional funding for extension of SBDC services to veterans, a significant impact on veteran small business initiatives would be realized.

Well, Mr. Chairman, this pilot project became a clear indicator of the many problems and frustrations veterans were experiencing in navigation of their small business endeavors. From this point we began actively examining our State's present programs for fostering small business for veterans and surveyed Federal SBA policies and programs in other States as a source of new ideas. Finally, with the assistance of the University of Massachusetts Joiner Center, the New York State SBDC, and the Georgia VVLP Small Business Program, we had proposed specific initiatives and administrative actions designed to improve the existing programs, and to chart new courses where necessary. Our recommendations were presented at last year's testimony to this committee. Unfortunately, we find ourselves back again addressing the same small business issue areas with another year gone by and relatively little action demonstrated in followthrough on the many legislative and administrative recommendations that were made by my colleagues to the SBA Office of Veterans' Affairs.

We developed these initiatives and recommendations to attack the most persistent problems facing veterans in small business.

I would like to address three of what I consider the top priorities.

First: The fact that veterans simply are not receiving the special consideration mandated to the SBA for outreach and special small business projects which would provide the Vietnam veteran with the opportunity to participate and contribute to the economic growth of the United States through small business ownership.

Second: The many difficulties Vietnam veterans encounter in securing capital formation and retention, as pointed out by my colleague Jim King from the New York State Office of SBDC.

Third: The size, scope, and nature of the SBA has continued to be diminished by budget cuts which has severely hindered attempts to launch these pilot programs for Vietnam veterans' small business training and outreach on a State level.

I would like to address these three priorities, specifically.

On the issue of special consideration for veterans, we find a number of ill-considered proposals woven through the fabric of past appropriations. There still seems to be confusion and small business initiatives continue to be surrounded by a sea of obscurity. That is to say that clearly the informational campaign concerning SBA assistance to Vietnam veterans was not well constructed and that threats of agency shutdown by the administration have hindered the SBA's interpretation and implementation of the "special consideration" mandate for veterans in small business. Not only has this term never been fully defined by the Congress or the agency, but it would seem that all progress and initiatives have halted with agency morale dropping while Congress debated the agency's future. These variables have sent mixed signals to the veterans' community and have virtually negated any attempts to address the issue area with effective and efficient programming initiatives.

Now a study developed by Centaur Associates, commissioned by the SBA, and delivered to them in January of 1984, recommended that SBA increase its small business programs for veterans. In measuring veteran attitudes toward the SBA Management Assistance, the survey reported that: "Overall, the Vietnam veterans rated SBA Management Assistance worse than other veterans did, and both veterans and non-veterans rated the non-SBA assistance better than SBA assistance."

In a survey conducted by the Massachusetts Special Commission on the Concerns of Vietnam Veterans, 35.6 percent of all applicants received the assistance they sought from the SBA which would seem to indicate a considerable gap of small business delivery services given the large Vietnam veteran population in the United States.

The sad reality of these findings is supported by SBA figures where a significant decline in the level of agency services to veterans has taken place over the past two years. Now, the testimony of the SBA Veterans' Affairs Director Richard Ellis has indicated that there is a discrepancy due to computer problems. So, I would just briefly like to highlight the numbers as they stand now until this correction is made.

In fiscal year 1985, 94,471 veterans were counseled by the agency, and this number declined some 56 percent in 1986 to 40,951. So I would be very interested to see what these numbers were after this computer discrepancy is rectified.

In analysis of these statistics we can clearly see that since last year's testimony, the SBA is still in a process of disenchantment.

In reference to the Direct Loan Program and equity gaps faced by veteran small businesses, we find a harsh economic climate. Veteran small business is finding it harder and harder to obtain affordable credit to meet its short-term cash flow and longer term capital needs. I wish to point out that the President's proposed fiscal year 1988 budget eliminates all funding for direct loans to veterans. Veterans unable to raise the 20-percent equity to secure loan monies through the SBA Direct Loan Program will find themselves frozen out of most start-up ventures which, from what we have seen, is the bulk of the Vietnam veteran small business population. Even in inquiries to our local SBIC's, we found a basic unwillingness to assist veterans with small business incubator projects or to provide the start-up capital for a micro small business venture.

I would like in addition to my testimony to point out the term "micro," Mr. Chairman. As Mr. King said, most banks are reluctant to loan money out for small business ventures unless they are six-digits or more. And in the case of the Vietnam veterans we have seen in the western New York area, these are more of the "mom and pop" type shops. We have veterans with significant skills in plumbing, air conditioning, heating, the trades, but do not have the essential business knowledge to initiate a successful small business program for themselves.

So, I wanted to make that distinction on the "micro" businesses in this statement.

In closing, Mr. Chairman, I would like to make the following recommendations: That the SBA and this committee take immediate steps to establish additional funds for veterans' small business projects and to ensure that the duties of the SBA Office of Veterans' Affairs are fully and faithfully pursued in a timely fashion.

That the additional funds be provided to the SBDC's in conjunction with the ongoing veteran programs. In most cases, the SBDC shops are the most effective way to provide the entrepreneurial training, networking, and technical support needed by veterans. It is my understanding that this cost-effective approach has received support since 1983 when discussion was initiated with Parren Mitchell at the 1983 Speaker's Conference.

I would like to recommend that a careful review of the proposed budget cut of the veteran's Direct Loan Fund in 1988 be initiated and that alternate plans of action be recommended for study. The Veterans Business Capital Foundation proposed by Andrew Farris of the Georgia VVLP last year should be considered. Mr. Farris will be providing some information to the committee on that program. It is also on last year's testimony, the presentation that he made.

To achieve proper coordination between veteran small business and the SBA, a Veterans' Small Business Consortium should be designed to coordinate the activities of this target group and to facilitate resources which will interact on veteran small business programs and procurements.

In closing, Mr. Chairman, I am hopeful and optimistic that this time around we can move forward now that the administration's attempt to shut down the SBA have been unsuccessful. Also, the recent appointment of a new Veterans' Affairs Director, Richard Ellis, has brought encouragement to those of us who have had dialogue with him and we trust that the administration as well as this committee will provide him the necessary and required internal support.

That completes my testimony, Mr. Chairman, and again we appreciate the committee's interest in the views of a veteran Small Business Advocate.

[Mr. Falkowski's statement, with attachments, may be found in the appendix.]

Mr. **Mavroules**. Thank you very much, Mr. Falkowski.

I notice that we have some young men and women in the audience. May I be told where you are from? How are you making out? Are you enjoying yourselves here in Washington? Are you learning?

Well, great. Nice to have you and welcome to our committee hearing this morning.

Thank you very much Mr. Falkowski.

Mr. **Falkowski**. Mr. Chairman, just for the record, I have some information for the laser disc program that was mentioned by Mr. King.

Mr. **Mavroules**. Oh, yes. We asked that of Mr. King.

Sure.

Mr. **Falkowski**. I have packages for the committee.

Mr. **Mavroules**. Please. We would appreciate that.

Mr. Tino Zamora, please.

TESTIMONY OF FLORENTINO ZAMORA, EXECUTIVE DIRECTOR, VIETNAM VETERANS LEADERSHIP PROGRAM, ALBUQUERQUE, NM

Mr. **Zamora**. Mr. Chairman and members of the committee, my name is Florentino "Tino" Zamora. Thank you for allowing me to testify on behalf of Vietnam veterans and their needs for small businesses.

I am currently the executive director of the New Mexico Vietnam Veterans Leadership Program, a private non-profit organization, serving primarily Vietnam-era veterans in the State of New Mexico. We are an organization run by Vietnam veterans. We have 15 board members, representing what we feel is an excellent cross-section of the Vietnam veterans' community in New Mexico.

Ten board members are Vietnam combat veterans; 5 board members are Vietnam-era veterans. Additionally, of the 15 board members, 2 board members are women veterans, 4 board members are minority veterans, 4 board members are retired military veterans, and 4 board members are disabled veterans on VA compensation.

Equally important as these characteristics is the fact that they represent a cross-section within the business community: All are employed veterans, 3 are private small business owners, 6 work in the private sector, 8 work in the public sector, and 1 is on active military duty. That is our Board of Directors.

I mention these characteristics because I feel they are important in describing to you the kind of veteran population that needs to be served in our small community of New Mexico.

Also allow me to give you a few facts about our organization—the New Mexico Vietnam Veterans Leadership Program (NMVVLP). NMVVLP is a private non-profit organization. NMVVLP has been in existence, in New Mexico, since 1982 and had its origin from a national project started by Mr. Tom Paulkin, Director of Action, at that time.

We serve the entire State of New Mexico, with a Vietnam-era population of well over 45,000 veterans.

Our primary projects are: An employment project funded by the Veteran Employment and Training Service, Department of Labor; an Educational Enhancement Project; Agent Orange Information Project; clearinghouse services; and a small business project.

In our small business project, we focus on trying to assist veterans who are interested in starting a small business. The services we provide include one-on-one counseling, classroom training through workshops and seminars, and information assistance and referral.

Some of these workshops and seminars have been funded by the Small Business Administration, Veterans' Affairs Division.

In providing small business services to our community we have acquired a good handle on what some of the major concerns are for the New Mexico veterans and their involvement in small business.

First and foremost is the area of financing. Most veterans cannot secure loans for starting a small business because they do not have the collateral or resources to back the loan. Many of our veteran populations have been affected by the economic conditions of our State—we are experiencing high unemployment due to the loss of jobs in the natural resources production area, that is, oil, gas, and other mineral extracted resources. We have communities with unemployment rates well above 50 percent.

However, the pendulum is swinging and we are hopeful new industries and new jobs will be created. The STAR WARS project in the southern part of our State is a prime example of new industry, new jobs, and new opportunities in the small business areas.

However, our veterans remain locked out from starting small businesses because lending institutions are not willing to loan the dollars needed to start that business.

Yes, SBA does provide the 90-percent guarantee. However, lending institutions are still reluctant to loan the dollars based on the guarantee alone. And yes, the SBA does have the direct loan program. However, long waiting periods, well over a year in some cases, with denial as a prime outcome, have discouraged many, many veterans from my State from pursuing this avenue.

The situation on Indian lands and for Indian veterans is even a greater problem. It is rare that a bank will lend start-up capital to an Indian veteran wanting to start his business, no matter how good his business plan looks. Even if the veteran meets the SBA loan guarantee requirements, banks are hesitant to loan the Indian veteran the dollars because it is difficult to attach any collateralized property on an Indian reservation—a problem experienced throughout the Indian communities in New Mexico.

The New Mexico Vietnam Veteran's Leadership Program feels that veterans have the skill and desire to own and operate their own businesses. What is needed is a non-traditional approach to securing capital for the start-up phase of the business.

We would recommend the establishment of a Veteran Investment Program (VIP) funded by SBA whereby veterans could apply directly to the VIP and be considered based on the merit and viability of the business and not solely on the security of the loan.

I focused on the financing part of small business because this seems to be the most critical area of concern for veterans in my community. Because, without the financing there is no hope for ever starting that business.

We would also recommend that SBA investigate the possibilities of interagency agreements with other Federal agencies to both secure financial services and to develop special set-aside programs in the areas of contracting with the Federal Government by Vietnam veteran business owners. Why couldn't 5 or 10 percent of all Federal contracts be directed towards the Vietnam veteran-owned business?

Last, we recommend continuation of all SBA programs directed at veterans. These programs are desperately needed and may be the only resource the veteran can tap.

In our community in New Mexico, we have worked hand-and-glove with our SBA Veterans' Affairs Officer Mr. Deward Stegall. However, he is only one person and is limited by time and availability. We highly commend him for the services he is able to provide, due to his limited resources.

We also commend the SCORE organization, their services are invaluable.

In closing, I feel strongly that veterans are a hidden resource when it comes to small business. We have the skill, talent, ability, and experience to operate small businesses. We have the desire, willingness and innovation to get started. All we need is the opportunity to secure the right kind of financing with some training and technical assistance from agencies such as the SBA.

I would be more than happy to answer any questions the committee might have regarding my testimony.

Again, I am honored to have been asked to testify before this committee. Thank you, Mr. Chairman and committee members.

Mr. MAVROULES. Thank you very much, Mr. Zamora, for your excellent testimony.

We will now hear from Rick Ducey of Boston, MA.

Mr. DUCEY. Thank you, Mr. Chairman. I apologize to the committee for not having an opportunity to have submitted my testimony prior to this morning. I did not think that I would be able to make it because of prior commitments but fortunately I was able to be here and I welcome the opportunity.

Mr. MAVROULES. Thank you very much. You probably do better off the cuff anyway, Rick, huh?

Mr. DUCEY. Generally, sir, it is the way I fly.

Mr. MAVROULES. OK. Good.

TESTIMONY OF RICHARD J. DUCEY, DIRECTOR, JOB TRAINING PARTNERSHIP ACT, VETERANS SMALL BUSINESS DEVELOPMENT PROGRAM, BOSTON, MA

Mr. DUCEY. My name is Richard J. Ducey. I am Director of the Job Training Partnership Act, Title 4(c) Program and the Veterans Small Business Development Program for the Office of the Commissioner of Veterans' Services for the Commonwealth of Massachusetts.

I have listened with a great deal of interest to the testimony which Mr. Ellis has offered this morning and would like to address a couple of specific issues.

First off, in regards to the Veterans' Affairs Officers that Congress has mandated that the SBA establish, we find this very encouraging. We have some concern, as I am sure some of the members of the committee do, that a year later, only three, or 30 percent of those offices have been filled.

Specifically in our area here in Boston, the final applicant that was recommended to Mr. Ellis's office, we understand, was 70 years old. We have some hesitation that somebody from another generation would have the ability to outreach effectively or the peer-identity to develop what needs to be a very aggressive program.

In regards to the computer situation which indicated veteran participation in SBA being down, I suggest that possibly there might be another reason. The District Veterans' Affairs Officer in the Boston office has changed three times in the last year and the position was vacant for a number of months.

That certainly is not encouraging to veterans which we continually refer to the SBA for assistance. They go with the name of one individual and when they get there that individual is changed or the office is vacant.

In one of the New England States, the Veterans' Affairs Officer is also the loan liquidation specialist for the office. And when he gives you his business card, that is what his business card says.

We do not find that kind of thing particularly encouraging to veterans who have some resistance as it is, dealing with this agency. We find it very frustrating that we, in community-based organizations, continue to attempt to support the agency, and then, frankly, have to deal with what appears to be stonewalling.

I have had the opportunity in the Commonwealth to run a program which was partially funded by the Department of Labor Job Training Partnership Act, Title 4(c) Discretionary Funds which were not claimed by other States. In our State, we received a grant from the Department of Labor and our Governor, Michael Dukakis, provided $180,000 to the program in a cash match which I feel certainly indicates his commitment to this kind of program of opportunity.

That program has just completed its classroom phase. And its intent was to assist Vietnam veterans in developing small business loan applications to submit either to the SBA for the guarantee, or to submit to a commercial lending institution. We had a total enrollment in a 1-year grant of 407 veterans. 197 of those completed the course, which we consider four classes or more.

Of them, 160 were in-country Vietnam veterans, 150 were Vietnam-era veterans, 29 were recently discharged veterans, and, again, I would say to Mr. Hayes that I cannot imagine how the South Carolina program cannot mandate minority participation because in our program in Massachusetts we had 11.3 percent disabled veterans, 9 percent minority veterans, 76.1 percent Vietnam-era veterans, and 4.6 percent women veterans.

We did not have any particular difficulty in finding those participants, and feel very strongly that the opportunities that Vietnam veterans from all walks of life seek are across the board without any regard whatsoever to male, female, or racial category.

All veterans have the American dream of a home, an education, and in many, many cases, a small business opportunity.

Frankly, I think that if we found that the participation was 99 percent white male non-disabled veterans we might have some hesitation to proceed with it, because it does not represent certainly what I experienced in Vietnam which was a very mixed group of people who were supporting their country's position.

I would also care to note that the program that we ran which we consider to be very successful and a potential model to be run around the Nation is ineligible for the Small Business Administration funding for pilot programs because of a legal difficulty. Congress mandated that that money be spent on these pilot programs but the Small Business Administration's Legal Department has interpreted that States are not eligible to receive those funds.

So, even though I have a Governor in the Commonwealth of Massachusetts who was willing to put up $180,000 in cash to match the Department of Labor money, and get twice the bang for the buck, if you will, we are ineligible to apply for those SBA funds. We feel very strongly that organizations such as State governments that have veterans' service offices would be in a very good position to understand the needs of veterans because those shops are run by veterans, for veterans within a State organization and have a great deal of support.

One of the programs that was a successful pilot program in those five applicants that Mr. Ellis referred to is being run by the Chamber of Commerce. I have belonged to the Chamber of Commerce in different towns that I have lived in in the past, and they are a superb organization. But I am not sure what their unique qualifications to provide services to veterans are.

We are at the peak years of small business opportunity. And when we were at the peak years of career employment, we were told that there was a recession and that everybody was facing terrific unemployment. And it was very difficult to initiate programs for us.

That situation changed around earlier in this decade, and those programs were initiated. We needed them in the 1970's; we got them in the 1980's when unemployment is down. We are now at a time when we need small business assistance and we are being told that the budget has to be balanced.

When the budget is balanced in the 1990's, perhaps we will be told that those programs are now available. But we will be in our late forties. It occurs to me that legislation for Vietnam veterans has historically been a matter of too little, too late. And yet, there is a whole generation of war-time veterans who made their commitment not at their convenience, but when asked to do so.

And now they are faced with programs that come once the issue has sort of resolved itself. We would urge this committee to do everything in its power to make sure that this does not occur again in regards to small business. It is inconceivable to me that the administration can oppose small business opportunities for veterans when it is perhaps the most cost-effective program of opportunity which could ever be devised in this country.

It has a payback. It has a very small output.

The administration's position is that they should not be funding direct loans for small businesses. I held a seminar with a number of States in northern New England in conjunction with the Georgia Vietnam Veterans Leadership Program. At that time, one of the district directors from the Small Business Administration, and this was over 2 years ago, stood up and said: "There are no direct loan programs."

That simply was not true at the time, but misinformation was being given out because clearly the Small Business Administration is not interested in direct loans.

Mr. Ellis has testified this morning that perhaps a 100-percent disabled veteran might still be eligible under the 8(a) program. I would say to you, that of the 10,000 amputees who came out of Vietnam, a leg amputation is valued by the Veterans' Administration at 40 percent. And I cannot understand how a criteria of 100 percent is necessary in order to qualify for handicapped under the 8(a) program when the loss of a leg in Vietnam in defense of one's country is only rateable at 40 percent.

Again, we find coming here a privilege, and having the opportunity to inform you of what we find happening in our communities a privilege and an honor. And yet we also find it very frustrating because year after year we bring up issues which need to be resolved, and yet when we come the next year, unfortunately, we have to be informed. They still have not been straightened out.

We appreciate that there is a great pull and push going on right now in regards to the budget and a number of other issues. But the Vietnam War cost a lot of money—an awful lot of money for an awful lot of years. And the rehabilitation of those veterans who have paid their price should not be postponed for other reasons, for other missile systems, or other defense systems.

The only other comment that I would like to make is that the statement in regards to direct loans—direct loans are very labor-intensive; but the minorities and the handicapped—they are critical. The vast majority of applicants that we are seeing, and we have seen literally hundreds, are looking for $30,000 to $80,000. We have hand carried, if you will, veterans through commercial lending institutions and offered them support after they have written their business plan and have been told even when we attempt to go through Community Reinvestment Act programs, that it is not worth the paperwork.

The Community Reinvestment Act money is going to huge land owners to buy and rehabilitate apartment buildings in urban areas. They are not going to people who put in sweat-equity. They are not going to small business entrepreneurs because in fact, a micro-business is labor intensive to provide assistance for; it is labor intensive to provide the paperwork for in terms of a commercial lending institution.

And yet, that is where the vast majority of need is and always has been.

I thank you very much, and I look forward to answering any questions that you might have.

Mr. Mavroules. Thank you very much. We appreciate your candor. And being up front, can we discuss some of the problems that you foresee with Mr. Ellis who is new on the job, actually. Have you had an opportunity to sit down and discuss them?

Mr. Ducey. Some of them, yes.

And I would like to say, clearly, that we find it extremely encouraging to have Mr. Ellis as the National Veterans' Affairs Officer within the agency. He is, if you will, one of us, being a Vietnam veteran himself. He understands the issues perhaps better than anybody I have dealt with in the Small Business Administration before.

We are simply concerned that his hands may be tied.

Mr. Mavroules. Let me assure you, Rick, that I did talk to Mr. Abdnor prior to his confirmation. He truly wants to do a good job. He indicated to me that "I want to put together a good Administration." Again, his hands may be tied. I think that we have had a hell of a job here for the last four or five years just trying to hold on to the SBA, period.

We have taken major reductions—I think maybe $3 or $4 billion over the last four or five years. And I think that you have an attitude now; you have enough members with enough foresight and wisdom to stand up for what we think is right for the country.

I think that the pendulum is now going the other way. We want to strengthen the SBA rather than transfer duties. I am hoping that with the new Administration—Mr. Abdnor, Mr. Ellis—that we can foresee some of the problems. Of course, with your assistance in talking with Mr. Ellis, hopefully we can have you back next year.

We can have something meaningful to talk about. And we will talk with them a lot more about some of the problems you have put forth.

I appreciate your candor very much.

Mr. DUCEY. Thank you, Mr. Chairman.

Mr. MAVROULES. Mr. Bourie, please.

TESTIMONY OF JAMES G. BOURIE, NATIONAL SERVICE DIRECTOR, AMVETS, LANHAM, MD

Mr. BOURIE. Thank you, Mr. Chairman.

I will keep my testimony real short in the interest of time—it is getting on.

Just a few major points from the veterans' community, and of course AMVETS was here last year testifying, and gave our point of view on what was going on in the SBA and working with Marshall Parker and so many other former officials in putting, what we felt, the veterans' programs on track.

We think right now that it is a little off the track, and we have the greatest amount of confidence in Dick Ellis and his staff Leon Boucher, and of course, Senator Abdnor. We have not heard from him; we will tomorrow find precisely where he is going to stand on veterans' programs. And I think that that is really the key.

Where will the Senator stand on this thing? If he gives Dick all the support that he needs and he puts it in writing, and puts it out to all his program chiefs, and says "I am 110 percent behind the veterans' program, you will cooperate and support the veterans' program," I think that that is about a 70-percent cure of the problem right then and there.

This, with the agency, the morale, the starting-stopping, it is in existence—it is not in existence, the money is there—the money is not there, and in the veterans' community we have pretty much thrown up our hands and said: "Let me know when you have it, and we will go from there. Other than that, do not bother me."

Dick has got his work cut out for him. But we are going to give him all the support and help that he can possibly use. The veterans' community has not baled out. Indeed, we are still very supportive of the program. It is a matter of saying: "What is going on?"

Which direction is the SBA going to take? Which direction is the agency going to take? Will Dick have the necessary internal and external resources that he needs? Will the Senator give him the support that he needs to see his job through?

I have talked with Dick publicly and privately, and he has some excellent ideas. We are going to help him on the ideas. But he really needs to have that support from the Administrator's office. And I think that that is really the key.

If you do not have the support from the Administrator's office, you do not have anything. And I have been involved with it since 1980, and I am proud to say that I am one of the ones who booted the SBA in the rear to get it moving in the veterans' program, and I watched it. I have seen it go up; I have seen it go down, and up and down and up and down. And right now I am a little frustrated but I think Dick needs, once again, to get the confidence back that his office is going to do a good job and get the confidence brought back in the veterans' community—not only here in Washington, but out in the field. And we are going to help him do it.

So I think that that is really the key to it, Mr. Chairman. It is getting that commitment from the Senator and other people within the agency to back them 110 percent.

Mr. MAVROULES. Well, I certainly agree with you in total. Let me ask you, Mr. Bourie: Do you want your entire prepared statement inserted in the record?

Mr. BOURIE. Oh, yes; of course.

Mr. MAVROULES. Without objection.

Mr. BOURIE. Thank you.

[Mr. Bourie's statement may be found in the appendix.]

Mr. MAVROULES. Thank you very much. And thank you for your testimony.

Finally, Mr. Rick Weidman. Rick, if you will continue, please.

TESTIMONY OF RICHARD F. WEIDMAN, DIRECTOR OF GOVERNMENT RELATIONS, VIETNAM VETERANS OF AMERICA, WASHINGTON, DC

Mr. WEIDMAN. Mr. Chairman, VVA wants to commend you for this hearing today, and for your continued oversight. Not just the hearing last year, for I know that your staff and you have continued to evidence interest in what is going on with veterans and the Small Business Administration.

And we thank you for that, sir.

Without that kind of interest, we think that, frankly, very little would go on at the SBA. The first question in your invitation to testify here today had to do with statutory changes. Not everybody is in favor of it. We have come to the conclusion, reluctantly, after having worked for 6½ years with the agency, trying to get them through informal administrative mechanisms to implement something that would be, in view of the veterans' community, reasonably considered "special consideration" in all programs.

It, frankly, has been like building a sand castle, Mr. Chairman. And it has wasted an enormous amount of time in the veterans' community, of folks within the SBA, and frankly, of Members of Congress in having to go back again and again, and again, trying to get them up to the take-off point.

We have come to the conclusion at Vietnam Veterans of America that only a definition of the minimum standards of "special consideration," pinning down what the Congress means by that, is absolutely going to be necessary, if we are not to continue to have progress swept away by the tide as we move along.

In our testimony I will not, in the interest of time, go through them all, Mr. Chairman, but we have made some suggestions that could serve as a by no means exhaustive list that could serve as the starting point, many of which revolve around training, monitoring, and assigning specific responsibilities within the SBA, as well as authority commensurate with that responsibility.

You made the point before, Mr. Chairman, that Senator Abdnor, having taken over the SBA, has been a veterans' advocate for many, many years. We trust him and take him at his word that he will continue to be responsive to the veterans' community as well as to the small business community. The real question is the Office of Management and Budget, those so-called "free-enterprise" people on 17th Street who are really very difficult. Unless SBA is protected by statute—that base minimum is established in statute—we are just convinced that it is not going to happen.

In regard to the Direct Loan Program to Veterans, we would like to see that continued, Mr. Chairman. Not because we would feel that it is a major program or service; it is a modest program. It serves approximately 250–300 veterans a year. There is a default rate that is probably too high, but any default rate is too high.

The question is: What is the SBA doing to service those loans that they have already made from that source as well as from other sources to help individuals not to get to the point where the loan becomes irrecoverable to the veteran?

So, we would like to see that program continued.

And last, but not least, I have brought along something today that I thought that you might be interested in. Mr. Bechet, a number of years ago, came up with this back in 1982, I believe it was, for one of the veterans' conferences. And it has the SBA logo and what, at that time, was the logo for the Veterans' Affairs Office at the SBA.

And it says "Veterans Mean Business."

Well, now, veterans do mean business, Mr. Chairman. The question is whether the SBA means business when it comes to dealing with our Nation's veterans. And we ask your leadership in helping instruct them as to the fact that they do mean business and help keep their focus on the bottom line in the coming year.

Thank you very much.

[Mr. Weidman's statement, with attachment, may be found in the appendix.]

Mr. MAVROULES. Well, thank you very much. And let me thank all of you for excellent testimony here this morning.

I have a number of questions. I am going to withhold them. However, I am going to direct staff to send them to you individually. I would ask that you respond to the questions that I have so that we can have them on the record.

Mr. Ellis, you have a plateful here this morning.

Mr. ELLIS. Yes, sir.

Mr. MAVROULES. You are getting great ideas from people who truly want to make the program work. I know you want to make the program work, and I can tell you this: We are going to make the program work.

We have a commitment to the veterans. And I know I speak for the entire committee when I make that statement.

You know, we do play a role, sometimes we do not have time to legislate in the hearings—it would take a very long time—but if we could be helpful as a committee—I, and Mr. Conte, who has been one of your great champions, or my staff members, with any discussions going on with Mr. Ellis, or, for that matter, with the new Administrator, Mr. Abdnor.

I would welcome you to, and I ask you and request you, to call me and call staff members Ms. Garman and Mr. O'Connor and we have Bill Angelo from Sil Conte.

Please call us. Because sometimes, we can cut some of that red tape out for you. I am not saying that you will get the answer that you are looking for, but we can cut across an awful lot of this.

If we do that together, given new leadership in this area, I have a good feeling that next year when we have the hearings, and I make my commitment to you for next year, we will be here, that we can answer many of the questions that were put forth this morning.

That is what I am looking for. Progress.

That is all that I have to say, I am going to send out the questions to you individually, please respond to me so that we can have them on the record.

Sil, I am sure that you have a few questions.

Mr. CONTE. Even though he is not back on the witness stand, I would like to question Mr. Ellis.

Mr. MAVROULES. Sure, please.

Mr. Ellis, would you come up? If you will, we might be able to cut across some of the questions here.

Mr. CONTE. You have heard this testimony, and one of the gripes is the delay in getting these people on board. And, of course, you have just come on board yourself in December. You say you have three that you could put out there out of 10, I guess. Is that what it was?

Mr. ELLIS. Yes, sir.

Mr. CONTE. Why could you not put the three out immediately instead of waiting for the whole 10? Maybe it is sort of a demonstration project.

Mr. ELLIS. Sir, these are regular full-time government employees. The personnel shop had to advertise it, and then it had to go out for 30 days, and then it had to go over to OPM, and that, which I do not understand—I am a schedule "C"—but we had to go through this entire process. And now, they had to be certified. They were certified, they had to go to the regional administrators for interviews, and now three of the regional administrators have said "I have completed my interviews, and I have picked my guy."

They sent their 171 personnel form to me, and I concurred, and three are hired. The other seven are in various stages of being hired. There may be another one this week, another one the week after. So the 10 will be hired on board by the middle of next month.

But various personnel-type problems are causing——

Mr. CONTE. But three are on board.

Mr. ELLIS. Yes, sir. Three have been hired as of the last four or five days.

Mr. CONTE. All right.

And anything we can do, you know, I sit on the Appropriations Committee, and we handle the budget for OMP, or OPM, whatever you call it, Office of Personnel Management. And we can move them a little bit, you know.

Mr. ELLIS. It is mostly paperwork and red-tape.

Mr. CONTE. Mr. Zamora, could you develop your idea of a veteran investment program a little more?

Mr. ZAMORA. Yes sir.

Mr. CONTE. In order to save time, because we do have the defense bill which Nick is playing a big part in, we will send the questions to you, and you can answer them for the record.

Mr. MAVROULES. It would be a great idea. OK.

Thank you very much, Sil. Mr. Hayes?

Mr. HAYES. Thank you very much, Mr. Chairman.

I, too, am not going to ask any questions. I just want to make a couple of comments.

Mr. Ducey, I am glad that you were able to make it. Some of the positions that you have taken were certainly enlightening to me and to the whole panel. I hope that your position with respect to the Direct Loan Program has had some impact on the new Director and his thinking. And I did want to say that you, Mr. Zamora from New Mexico, I would look forward to an alternative program to solve the unemployment problem of New Mexico and not depend too heavily on STAR WARS.

Thank you very much.

Mr. MAVROULES. Here, let me conclude.

Thank you very much, Mr. Hayes.

The one area, Dick, that they have been keying in on all morning long, is the Direct Loan Program. I think you have to understand, and I think you do, and you are still getting your feet wet, and it is good. It is a very serious matter with some of the people who most need in areas to get through a door and get some money and get going.

We want to see that happen, if that is the only way to do it. Now, you have got to remember, the administration from day one has been against direct loans. You have got to remember that.

But they play a key role. They do play a key role for some of the most, if I may use the term, unfortunate. We have got to open that door, and we have got to take a gamble with this.

And you know, sometimes I think we make that statement with grant and loans programs. We talk about the educational programs Mr. Conte plays a very vital role in. We talk about loan programs, student loans, and when you have about a 3-percent factor which are negligent, and people come out with a paintbrush and they paint it across the wall, all people are painted by that brush.

Every person who talked here this morning referred to the Direct Loan Program because they have hands-on experience. I know, Mr. Ducey up in the Commonwealth is doing a great job, and I can relate to that. They have a hands-on experience. So I think that maybe you ought to give a little consideration—more consideration—to that area.

And if we can work together, I have got a gut feeling that we can do a fine job for this country and for the veterans of all eras, not only Vietnam, most deserving, of course, and they have a big place in my heart. But all veterans. And hopefully, if you have any problems along the way, call me. Call Mr. Conte, call other members. And we will see if we can help you out.

Next year, I want a very objective, constructive hearing with results. We want to be able to show that this is what we heard last year in May; in May of 1988 this is what we have done.

This is the kind of a hearing that I want next year.

OK? Thank you all very much for coming. You have been very helpful.

[Whereupon, at 11:25 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

SUBMISSION OF JAMES ABDNOR, ADMINISTRATOR, SBA

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

APR 15 1987

Honorable John J. LaFalce
Chairman
Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The United States Small Business Administration herewith submits Veterans Business Resource Councils: A Report to Congress in accordance with PL 99-272, the Consolidated Budget Reconciliation Act of 1985. The Report was prepared by the Office of Veterans Affairs (OVA).

This Report marks the first time a complete listing has been compiled of Veterans Business Resource Councils. OVA will now update the list regularly in our reports to Congress. Because of their potential, we will also continue in our efforts to create a growing network of viable Resource Councils. While our survey indicates that this will be a labor intensive undertaking, the 10 new Regional Veterans Affairs Officers due on board soon will be assigned this expansion as a high priority.

I look forward to working closely with you to help America's veterans fully participate in the benefits of the free enterprise system.

Sincerely,

Jim Abdnor

James Abdnor
Administrator

Enclosure

RECEIVED

APR 20 1987

Committee on Small Business

VETERANS BUSINESS RESOURCE COUNCILS:
A REPORT TO CONGRESS

SMALL BUSINESS ADMINISTRATION
OFFICE OF VETERANS AFFAIRS

April 10 , 1987

TABLE OF CONTENTS

I. Summary
II. Introduction
III. An Evaluation of the Effectiveness of VBRCs
IV. Recommendations
V. Listing of VBRC's
VI. Summary of VBRC History and FY-86/87 Activities
VII. Attachments

I. SUMMARY OF REPORT

There are 18 functioning Veterans Business Resource Councils (VBRC) and 11 other non-governmental, voluntary, not-for-profit organizations performing VBRC-like activities. VBRCs counsel and train veterans in business related skills, collect and disseminate information of interest to veterans, and develop networks of managerially and technically skilled veterans who act as volunteer consultants.

VBRCs generally are viewed by SBA personnel as fairly, but not highly, effective in performing their functions. However, VBRC effectiveness is directly related to their activity level, the dedication of their members, and their cash reserves. While there is great potential in the VBRC concept, in actual practice, effective VBRCs are difficult to sustain.

It is recommended that SBA's Office of Veterans Affairs (OVA) continue its efforts to promote and strengthen the VBRC network and to instruct VBRCs in how to conduct conferences profitably. VBRCs, however, are not to be viewed as replacements for traditional governmental and non-governmental delivery structures but as a supplement to them and as a resource partner.

II. INTRODUCTION

In Public Law 99-272, the Consolidated Budget Reconciliation Act of 1985, it was recommended that SBA evaluate the effectiveness of Veterans Business Resource Councils, develop guidelines to assist in their establishment, and encourage the creation of new VBRCs throughout the country.

In order to comply with this law, SBA's Office of Veterans Affairs conducted two surveys. One with opened ended questions conducted during October/November 1985; the other issued as SBA Notice 900-205 dated December 23, 1986. (See attachment for copy Questionnaires). While this report largely is based on these survey, the experience of OVA in Washington, DC also is a basis for this report. No attempt has been made by SBA to study scientifically the economic impact of VBRCs; we are largely relying on observations and judgments by SBA field personnel of how effective VBRCs are in delivering business development services to the veteran community.

What are VBRCs and what do they do? VBRCs are generally not-for-profit (501c3), volunteer organizations, usually consisting of veterans as members and offering various business related services to the veteran community. Typically, VBRCs perform the following broad activities:

o Counseling veterans on business-related matters and referring them to appropriate local resources;

- Conducting/cosponsoring business development conferences including pre-discharge workshops at military bases;
- Collecting and disseminating information on Federal, state, local, and non-governmental programs available to veterans, and;
- Developing directories of all veterans, veteran-owned businesses, and technically/managerially skilled veterans in the local community.

Some VBRCs (or similar organizations) offer other more unique services to veterans including:

- Operating a 46-bed facility called the "landing zone" for Vietnam combat veterans experiencing drug, alcohol, or PTSD problems;
- Working on job placement of veterans in veteran-owned businesses;
- Offering group insurance and starting a veterans credit union (still in planning stage), and;
- Conducting veterans' picnics or Veterans' Day social functions.

III. AN EVALUATION OF THE EFFECTIVENESS OF VBRCs

While no scientific study has been conducted to determine effectiveness in terms of economic impact, conclusions can be reached based on level of activity, observation, and opinion surveys.

Those VBRCs which are active are generally considered effective in delivering services to veterans. VBRCs also are considered by SBA personnel as effective resource partners. There are two keys to the effectiveness of VBRCs -- the presence of a nucleus of motivated members (usually composing the Board of Directors) and ample cash reserves (usually $1000 minimally).

Since VBRCs do not have any paid staff, all work is done on a volunteer basis. Therefore, without a dedicated core of members, activity is low. Our experience indicates that even one motivated individual, acting as a catalyst, can create an active and effective VBRC.

Money is a major obstacle to VBRC effectiveness. Without some cash reserve, VBRCs are reluctant to plan, promote, and conduct business development conferences. Sometimes hotels, catering services and media firms are not willing to commit to rental space, food preparation, or advertising space without a deposit. The VBRC needs some operating capital to deal with these situations. The effective VBRCs tend to be financially sound.

SBA District Offices are attempting to start VBRCs in several states including Massachusetts, Hawaii, Arizona, Tennessee, and Montana. However, not all states show an interest in the VBRC concept.

IV. RECOMMENDATIONS

1. Because of both current and potential effectiveness and because VBRCs are eligible recipients of SBA-OVA grant funds, OVA should continue its efforts to create new VBRCs and strengthen existing ones.

2. VBRCs should be independent of SBA with SBA functioning in an advisory and cosponsor role.

3. OVA should continue cosponsoring veteran conferences with VBRCs as a principal method for maintaining their effectiveness. It must be recognized, however, that these purely volunteer organizations easily become dormant. Thus OVA must continuously work with VBRCs to keep them active. District offices, it must be remembered, have only limited time available to cultivate VBRCs and, therefore, maintaining their activity can be a significant local problem.

4. OVA should train VBRCs in the methods and procedures of working with Federal Agencies as resource partners in order to increase VBRC understanding of what Agencies can and cannot do in terms of procurement, contracts, and grants.

5. OVA should train VBRCs in the techniques of planning, promoting, and conducting money making conferences. This is essential for maintaining active, effective VBRCs.

6. VBRCs should work closely with traditional veteran service organizations, and state and Federal veterans offices to deliver business development services. A partnership between VBRCs and the existing veteran services delivery structure is important for VBRCs to be effective.

7. All VBRCs should develop listings of local veterans who are successful in small business related fields, e.g. banking, accounting, business law, marketing, etc., and who would be willing to commit a given number of hours per month for free consulting with veterans who are referred to them by the VBRC.

V. LISTING OF VBRCs OR SIMILAR ORGANIZATIONS BY REGION

ADDRESS	CONTACT	TELEPHONE
	REGION 1	
Vietnam Veterans Civic Council Veterans Administration Regional Office Center White River Junction, VT 05001	Jeffery Alger	(802) 834-1361
Vietnam Era Veterans Association 250 Prairee Avenue Providence, RI 02905	Daniel Evangelista	(401) 521-6710 or 6711
	REGION 2	
New York VBRC 346 Broadway Rm. 810 New York, NY 10013	Lawrence Halpern	(212) 265-2700
Syracuse VBRC SBA, Room 1071 100 South Clinton Street Room 1071 Syracuse, NY 13260	David LaVeck (SBA Syracuse Ofc.)	FTS: 950-5356 (315) 423-5356
Buffalo VBRC SBA, Room 1311 111 West Huron Street Buffalo, NY 14202	Richard Keffer (SBA Buffalo Ofc.)	FTS: 437-5664 (716) 846-4301
	REGION 3	
Veteran's Civic Council Wissahickon Ave. and Manhiem St. P.O. Box 8079 Philadelphia, PA 19101	John J. Schimph	215-951-5301
The Maryland Vietnam and Disabled VBRC 45 Calvert St. Annapolis, MD 21401	Lois Kinney	301-269-3514
Pennsylvania VVLP 3003 Linden St. Bethlehem, PA 17744	Douglas Foster	215-264-5577

ADDRESS	CONTACT	TELEPHONE
Tri-State VBRC 12923 Route 30 North Huntingdon, PA 15642	Bob Bishop	1-800-442-6815
West Virginia VBRC Room 212 112 California Avenue Charleston, WV 25305-0112	Dave Bush John Chapman	304-348-4001 304-345-0770
	REGION 4	
Georgia VBRC c/o VVLP, 500 Southbridge Rd. Suite 610 Atlanta, GA 30338	Andy Farris	(205) 323-8857
Alabama VVLP 1820 7th Avenue North Suite 201 Birmingham, AL 35201	Talmadge Foster	(205) 323-8857
	REGION 5	
Chicago VBRC 6435 W. 111th Street Worth, IL 60482	Alfred Grajeck	(312) 448-0282
Veterans Conference Organizing Committee 1200 N. Telegraph Road Pontiac, MI 48053	Elaine Glasser	(313) 858-0880
Central Ohio VBRC P.O. Box 16080 Columbus, OH 43216	David Aldstadt David Bradley	(614) 228-1488
Indiana VBRC 1 West 26th Street Indianapolis, IN 46208	Ron Stamps	(317) 929-4742
Minnesota VBRC St. Thomas Entrepreneurial Center 1107 Hazeltine Blvd. Chaska, NM 55318	Jerry Cartwright	(612) 448-8810
	REGION 6	
New Mexico VBRC 124 Jackson NE Albuquerque, NM 87108	Tino Zamora	(505) 265-1311

ADDRESS	CONTACT	TELEPHONE
Southeast Texas VBRC c/o DAV VA Regional Office 2425 Murworth Houston, TX 77054	Leonard Dyke (SBA Houston Ofc.)	(713) 660-4426
Dallas-Ft. Worth VBRC P.O. Box 965 Addison, TX 75001	Tom Hartin	(214) 360-0200
VVLP P.O. Box 7831 Pine Bluff, AR 71601	Don Grigg	(501) 534-3100
Arkansas VBRC 1311 West 2nd Street Little Rock, AR 72201	Dwight Merritt	(501) 378-6395
Northwest Arkansas VBRC One McIlroy Plaza Fayetteville, AR 72701	Bob Fairchild	(501) 442-0650

REGION 7

Iowa VBRC P.O. Box 4015 Des Moines, IA 50333	Robert Tecklenburg	(515) 278-9237

REGION 8

No VBRCs or similar organizations.

REGION 9

Missouri VVLP Federal Bldg. Rm. 1213 405 So. Tucker Blvd. St. Louis, MO 63102	William Elmore	(314) 436-2420
VRC of Northern CA P.O. Box 972 Newark, CA 94560-0972	Stephen Vecellio	(415) 791-0872
Vietnam Vets. of San Diego 757 11th Avenue San Diego, CA 92101	Robert Van Keuren	(619) 296-3475
Vietnam Veterans Civic Council 3225 N. Central Ave. Phoenix, AZ 85012	Ken Divers	(602) 255-4713

REGION 10

Seattle Advisory Committee on Vets Programs-ADVET	David Morado (SBA Seattle Ofc.)	(206) 399-8406

VI. SUMMARY OF VBRC HISTORY AND FY-86/87 ACTIVITIES

(Includes VBRC-like, Non-Governmental Organizations)

Name	Started	SBA Funding	Activities
REGION 1			
VT Vietnam Veterans Civic Council	Unknown	None	Provides mailing lists to SBA.
RI Vietnam Era Vets Assoc.	1974	None	Refers clients to SBA.
REGION 2			
NY VBRC	1983	$2000	Participant/cosponsor: POW/MIA Day, Memorial Day Events, Veteran Information Day, Veteran Franchising Conference.
Syracuse VBRC	1984	None	Cosponsored two veterans business workshops.
Buffalo VBRC	1984	None	Cosponsored one veterans business conference.
REGION 3			
Maryland Vietnam & Disabled VBRC	Unknown	None	Counsels veterans on entitlements, business matters and educational opportunities.
PA Vets. Civic Council	Unknown	None	Not known. Does not work with SBA.
PA VVLP	Unknown	None	Cosponsors training events with SBA regularly.
Tri-State VBRC	1984	None	Conducted 3 business conferences in FY-86.
WV VBRC	1987	$2000	Just being established. Will co-sponsor events with SBA.

Name	Started	SBA Funding	Activities
REGION 4			
Georgia VBRC	1986	$2000	Formerly Georgia VVLP. Actively cosponsors and conducts training programs with SBA. Counsels veterans.
Alabama VVLP	1982	None	SBA has not worked with this organization.
REGION 5			
Chicago VBRC	1983	$2000	Cosponsors various training conferences, usually one large conference and several smaller ones per year. Works closely with SBA.
Central Ohio VBRC	1982	$2000	None. No longer active though still established.
Indiana VBRC	1984	$2000	Conducts annual veterans meeting and cosponsors conferences with SBA.
Minnesota VBRC	1982	$2000	Cosponsors conferences with SBA on regular basis. Large counseling/referral effort.
Veterans Conf. Org. Committee	1984	$3000	Conducts one major conference annually.
REGION 6			
New Mexico VBRC	1984	None	Conducts independent conferences plus client referrals to SBA. Cosponsored two training conferences with SBA in FY-86.
Dallas-Ft. Worth VBRC	1984	$8,455	No major activity in '86. Cosponsored with SBA a large franchise conference in Oct. FY-87 activities will include series of region-wide training conferences. Very active, professional VBRC.

Name	Started	SBA Funding	Activities
Arkansas VBRC	1985	None	Cosponsors training conferences with SBA and counsels veterans. Plans to cosponsor a disabled veterans conference with SBA in FY-87.
SE Texas VBRC	1984	$3500	Inactive until 1986. Cosponsored with SBA 1 conference in '86 and 2 conferences in '87 including. highly successful procurement conference in Houston April 1, 1987.
NW Arkansas VBRC	1986	None	None.
Arkansas VVLP	Unknown	None	No business-related activities.
REGION 7			
Iowa VBRC	1981	None	Conducts business development conferences.
St. Louis VVLP	Unknown	None	Cosponsors business development conferences. Has also received an SBA grant to conduct long-term pilot project.
REGION 8			
No VBRCs in this Region.			
REGION 9			
Veterans Resource Council of Northern California	1984	None	Cosponsors business development conferences. Submitted grant proposal to SBA. Counsels vets.
Vietnam Veterans of San Diego	1981	None	Involved in wide range of veteran employment and social services. No business development activities in FY-86/87.
Arizona Vietnam Vets. Civic Council	1983	None	Inactive.
REGION 10			
Seattle ADVET	1985	None	Cosponsored 5 "Main Event" conferences throughout Washington state. Organized by SBA.

OCT 10 1985

VII. ATTACHMENTS

I am writing to you because you are a member of a VBRC or are involved with VBRC's through the SBA.

The VBRC program is a good one and the Office of Veterans Affairs would like to strengthen old VBRCs and establish new ones in FY 86.

We have enclosed some questions that will help us establish a uniform system of VBRCs and we ask for your help to gather this data. Please feel free to handwrite your replys and to give a copy to other VBRC members to obtain their input.

Thank you for your timely reply and all that you are doing for our veterans.

Sincerely,

Jim Parker
Assistant Director
Eastern Operations
Office of Veterans Affairs

Enclosure

cc: SF & DF
OVA:JParker:la:10-9-85:x8220
Document No. 1395A, 1396A

QUESTIONNAIRE

1. How long has your VBRC been established and what is the current membership and background of the members?

2. How often does your VBRC meet?

3. What projects has the VBRC been involved with in the last 24 months?

4. What do you feel is the role of the VBRC in your community and state?

5. What should be the priorities of a VBRC?

6. What role should the SBA play in establishing a VBRC and its continuation?

7. How independent of the SBA should a VBRC be?

8. What is the best way to start a VBRC?

9. What can the District and National SBA offices do to help VBRCs start and continue?

10. Comments on VBRCs.

SMALL BUSINESS ADMINISTRATION

SBA NOTICE

TO: All Regional Administrators
All District Directors
All Regional and District VAOs

NOTICE NO. 9000-205

EFFECTIVE 12/23/86

SUBJECT: Report to Congress on Veterans Business Resource Councils (VBRCs)

The Office of Veterans Affairs (OVA) is required to report to the Congress on the effectiveness and establishment of Veterans Business Resource Councils (VBRCs). We need your help in preparing this one-time report.

We are aware that there are some active organizations, not specifically named VBRCs, which perform identical services. Other organizations have been formed or have ceased to operate in the past year. Many such organizations have had significant activity while others were inactive during the past year.

District Office VAOs should furnish the following information on any VBRC or similar organization in the District to the Regional VAO who will consolidate and submit a Regional Report to OVA on or prior to December 31, 1986.

The report should contain, on a separate sheet for each organization:

NAME:
ADDRESS:
TELEPHONE:

YEAR OPERATIONS BEGAN:

CONTACT PERSON:

FY 86 ACTIVITY: (WHAT DID THEY DO?)

SBA FUNDING: YES ( ) NO ( ) WHEN: HOW MUCH?

COMMENTS ON EFFECTIVENESS OF THIS ORGANIZATION: (IS IT WORKING?) (HOW WELL?)

The Regional VAO, after consulting with the Regional Administrator, should add any regional comments to each sheet.

We will use this information in preparing a Directory of VBRCs, in evaluating VBRC services, and in making recommendations on the continuation of this program.

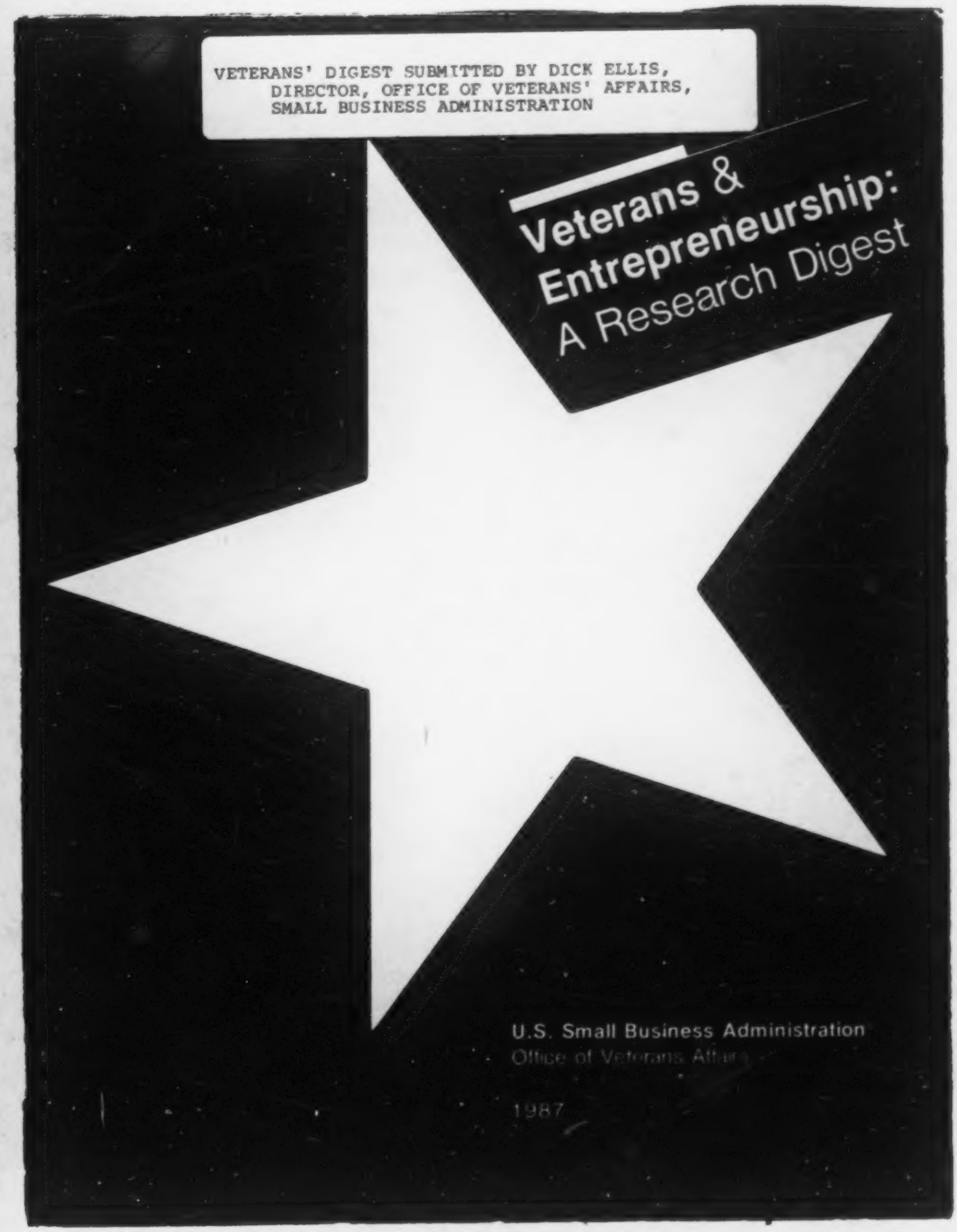
We envision this responsibility as one of the duties of the new Regional VAOs when they are appointed.

Dick E. Ellis
Director
Office of Veterans Affairs

EXPIRES 6/1/87

PAGE 1

SBA Form 1353 (3-83)



VETERANS' DIGEST SUBMITTED BY DICK ELLIS,
DIRECTOR, OFFICE OF VETERANS' AFFAIRS,
SMALL BUSINESS ADMINISTRATION

Veterans & Entrepreneurship: A Research Digest

U.S. Small Business Administration
Office of Veterans Affairs

1987

VETERANS AND ENTREPRENEURSHIP

A RESEARCH DIGEST

OFFICE OF VETERANS AFFAIRS

U.S. SMALL BUSINESS ADMINISTRATION

WASHINGTON, D.C. 20416

JANUARY 1987

Table of Contents

FOREWORD 1

LETTER OF TRANSMITTAL 4

HOW TO USE THE DIGEST 5

I. Introduction 7

- A. SBA and Its Veterans Program 7
- B. SBA Research Efforts 8
- C. Introduction to the Digest 9
  - 1. Need
  - 2. Purpose
  - 3. Focus of the Studies
- D. Entrepreneurship and the Veteran 11
- E. Introduction to the Population 12
  - 1. General Veteran Community
  - 2. Overview by Period or War
  - 3. Disabled Veterans

II. Summary of Major Findings and Recommendations 14

- A. Overview of the Research 14
- B. A Discussion of Methodology and Conflicting Findings 17
- C. Specific Findings and Recommendations 19
  - 1. Principal Findings
  - 2. Specific Recommendations

III. Summaries of Individual Studies

A. ENTREPRENEURIAL CHOICE AND SUCCESS 25

By: CERA Economic Consultants, 1985
Old Greenwich, Connecticut

1. Purpose of the study
   - a. General Statement
   - b. Focus
2. Survey Design and Methodology
   - a. Survey Design/Data Collection Procedures
   - b. Instrument
   - c. Sample Population
   - d. Statistical Techniques
   - e. Literature Review on Choice Theory
3. Major Findings
4. Conclusions and Recommendations

B. PROFILING ENTREPRENEURIAL VETERANS 31

By: Mid-Atlantic Research Inc., 1984-1986
Williamsburg, VA

1. Purpose of the study
   - a. General Statement
   - b. Focus
   - c. Specific Organization of the Study
   - d. Major Objectives and Central Study Questions

2. Survey Design and Methodology
    - a. Survey Design/Data Collection Procedures
    - b. Instrument
    - c. Sample Population
    - d. Statistical Techniques

3. Analysis and Major Findings
    - a. Business School Alumni and Their Entrepreneurial Experience
    - b. Relationship Between Military Service and Entrepreneurship
    - c. Profiles of Veteran Entrepreneurs of Three War Eras
        - 1) World War II
        - 2) Korean War
        - 3) Vietnam War

4. Conclusions and Recommendations

C. DIFFERENCES BETWEEN VETERAN AND NON-VETERAN OWNED BUSINESSES .. 37

By: Inductive Inference, Inc., 1985
New York, NY

1. Purpose of the study
    - a. General Statement
    - b. Focus

2. Survey Design and Methodology
    - a. Survey Design/Data Collection Procedures
    - b. Instrument
    - c. Sample Population
    - d. Statistical Techniques
        - 1) Formulation variable summary
        - 2) Primitive characteristics
        - 3) Compound characteristics
        - 4) Reliability

3. Analysis and Major Findings
  a. Analysis of Financial Data
    1 Veteran vs. Nonveteran-Owned Business
    2 Vietnam Veteran vs. Other Veteran-Owned Business
  b. Analysis of Industry Membership
4. Conclusions and Recommendations

D. FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VIETNAM AND OTHER VETERANS 43

By: Steven Lustgarten & Associates, 1985-1986
Mt. Vernon, New York

1. Purpose of the study
  a. General Statement
  b. Focus
2. Survey Design and Methodology
  a. Survey Design/Data Collection Procedures
  b. Instrument
  c. Sample Population
  d. Statistical Techniques
  e. Regression Analysis of Earnings
3. Analysis and Major Findings
4. Conclusions

E. VIETNAM-ERA VETERANS AND ENTREPRENEURSHIP 49

By: Veterans' Small Business Project, 1986
Newtonville, MA

1. Purpose of the study
  a. General Statement
  b. Focus

2. Survey Design and Methodology
    a. Survey Design/Data Collection Procedures
    b. Instrument
    c. Sample Population
    d. Statistical Techniques

3. Analysis and Major Findings
    a. Entrepreneurial Aspirations
    b. Business Characteristics
    c. Perceptions of SBA and Private Sector
    d. Factors Related to Success
    e. Disability and Entrepreneurship

4. Recommendations

F. ANALYSIS OF VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE 55

By: Centaur Associates, 1984
Washington, D.C.

1. Purpose of the study
    a. General Statement
    b. Focus

2. Survey Design and Methodology
    a. Survey Design/Data Collection Procedures
    b. Instrument
    c. Sample Population
    d. Statistical Techniques

3. Major Findings
    a. Characteristics of Veteran-Owned Small Businesses
    b. Management Assistance Provided to Veterans
    c. Veterans' Perceptions of the Value of Management Assistance
    d. Impacts of Management Assistance Provided to Veterans

4. Conclusions and Recommendations

G. VIABLE LOAN CATEGORIES FOR VETERANS 61

By: Joel Popkin and Co., 1986
Washington, D.C.

1. Purpose of the study
    a. General Statement
    b. Focus

2. Survey Design and Methodology
    a. Survey Design/Data Collection Procedures
    b. Instrument
    c. Sample Population
    d. Statistical Techniques

3. Analysis and Major Findings
    a. Guaranteed and Direct Loan Patterns
    b. Major Variables in Determining Loan Performance

4. Conclusions and Recommendations

H. INFORMAL RISK CAPITAL IN THE SUNBELT REGION 65

By: Applied Economics Group, Inc., 1985-1986
Knoxville, TN

1. Purpose of the study
    a. General Statement
    b. Focus

2. Survey Design and Methodology
    a. Survey Design/Data Collection Procedures
    b. Instrument
    c. Sample Population
    d. Statistical Techniques
        1) Survey Response
        2) Non-Response Bias Survey

3. Analysis and Major Findings

4. Conclusions and Recommendations

I. A STUDY OF DEPARTMENT OF DEFENSE PROCUREMENT FROM VETERANS 71

By: KCA Research, Inc., FY 1985
Alexandria, VA

1. Purpose of the study
    a. General Statement
    b. Focus
    c. Phases and Objectives

2. Survey Design and Methodology
    a. Survey Design/Data Collection Procedures
    b. Instrument
    c. Sample Population
    d. Statistical Techniques

3. Major Findings
    a. Amount of Military Contracting between Veteran and Nonveteran Small Businesses
    b. Characteristics of Contracting Firms/Owners
    c. Relative Value or Efficacy of Products and Services Obtained from Veteran & Nonveteran-Owned Businesses

4. Conclusions

CHARTS

A. Population by Service Period 13

B. Department of Defense Contracts Sampled by Survey 74

APPENDICES

A. Digest Matrices

B. A Listing of Principal Recommendations

C. Bibliography

D. Technical Tables 1-22

Table 1 - Distribution of Veteran-Owned Businesses by Major Industry D-1

Table 2 - Percentage Difference in Self-Employment Rates of Veterans and Nonveterans by Sex, Race, Disability Status and Service Period D-2

Table 3 - Annual Wage Income and Percentage Difference betweeen Veterans and Nonveterans by Service Period D-3

Table 4 - Annual Self-Employment Income and Percentage Differences between Veterans and Nonveterans by Service Period D-4

Table 5 - Industries Relatively Most and Relatively Least Chosen for Self-Employment by Veterans - All Wars D-5

Table 6 - Percentage Difference between Annual Wage and Self-Employment Income of Veterans by Sex, Race, Disability Status and Service Period D-6

Table 7 - Self-Employment Rates of Veterans and Nonveterans D-7

Table 8 - Percent of Self-Employed Veterans and Self-Employed Nonveterans in Each Major Industry by War Period D-8

Table 9 - Probability of Self-Employment (Linear Probability Model Estimates) D-9

Table 10 - Probability of Self-Employment (Structural Probit Model Estimates D-11

Table 11 - Net Impact of Demographic Characteristics on the Probability of Self-Employment D-12

Table 12 - Self-Employment and Wage Earnings Equations D-14

Table 13 - Impact of Demographic Characteristics on the Difference between Self-Employment and Wage Earnings . D-15

Table 14 - Annual Total Income by Veteran Status D-16

Table 15 - Annual Self-Employment Income by War Cohort (Entrepreneurs only) D-17

Table 16 - Source of Initial Financing of Capital for Veteran-Owned Businesses D-18

Table 17 - Percent of Department of Defense Contracts Which Were Awarded to Veteran-Owned Firms by Stratum, Fiscal Year 1981-82 .... D-19

Table 18 - Percent of Department of Defense Contracts Awarded to Veteran-Owned Firms Which Went to Vietnam Veterans, Fiscal Year 1981-82 .... D-20

Table 19 - Profile of Informal Investment D-21

Table 20 - Informal Investment Characteristics: Investor Preference vs. Actual Practice D-22

Table 21 - Investor Satisfaction with Investment Opportunity Information by Investment Preference D-23

Table 22 - Investor Characteristics and Investment Preference in Veteran or Nonveteran-Owned Businesses D-24

FOREWORD

The U.S. Small Business Administration (SBA) has a firm commitment to promote small business ownership within the veteran community. Our commitment derives not only from the sacrifices veterans have made in the service of their country, but also, as this new research points out, from the comparatively low rate of self-employment among veterans, the relative financial insecurity of those businesses, and the growing interest shown by veterans in entrepreneurship.

Today there are about 3-1/2 million veteran small business owners. During the next decade, hundreds of thousands of other veterans are expected to start their own small businesses. Many of these new business owners will come from the ranks of the over 8 million Vietnam-era veterans generally in the 35-45 age category -- the age grouping producing the most new business starts. For the next several years, small business interest within the veteran community should be higher than it has been since World War II, and SBA will be working hard to develop and implement programs to help these veterans become successful entrepreneurs.

But what is known about veterans and their role in small business and entrepreneurship? What hard evidence is there for SBA to use as a basis for its veterans program? Are veterans as successful as nonveteran small business owners? Are they as likely to become small business owners as their nonveteran peers? Do they face any problems or obstacles nonveterans do not face in becoming entrepreneurs? What should and can the U.S. Small Business Administration do to help veterans become successful entrepreneurs?

In 1983, SBA's Office of Veterans Affairs began a major research project to collect and analyze data necessary to answer a wide range of questions about veterans, entrepreneurship, and program direction. Since virtually no research had been done in this area, it was a ground-breaking endeavor. As the research progressed, another task arose -- how to make sense out of the complex and highly technical data and findings. From this need came the idea of summarizing the studies into a single, nontechnical Digest. In order to maintain objectivity and to utilize best the skills of the research community, SBA contracted with a private Washington, D.C research firm to develop the Digest. I want to take this opportunity to thank T. Head and Company for their excellent work.

So what effect will this research have on SBA's veterans program? As I reviewed the Digest, several findings and recommendations struck me as particularly important.

First, and most fundamentally, the research shows there is a justification for SBA's veterans program based on economic disadvantage: veterans are considerably less likely than nonveterans to become entrepreneurs and somewhat less well off, especially Vietnam veterans, when they do become small business owners. Second, with the movement of the Vietnam-era veteran into the prime "going into business" age group, demand by veterans for SBA services will increase. Yet our research shows that a relatively small percentage of veterans know about SBA, that there is wide misunderstanding of the services we offer, and that many of those veterans who have used our services do not rate them very highly. SBA must move both to "spread the word" about our veterans' program and, simultaneously, to improve the quality of our services.

What else has our research told us? We know that veteran-owned small businesses tend to be young and undercapitalized. Third, SBA must develop specialized training programs that deal specifically with problems faced during the early stages of business growth. For example, getting over the debt burden "hump" of the first two or three years is crucial if a veteran's young small business is to grow successfully.

Fourth, there is a vast but underutilized pool of equity capital held by "informal investors." SBA will develop new programs to help veterans tap this valuable source of financing.

And fifth, disabled veterans are of special interest to SBA. As a group, they have substantially lower levels of entrepreneurial success than their non-disabled peers. SBA is already implementing a special pilot program to bring our services and management knowledge to America's 2-1/2 million disabled veterans.

Veterans and Entrepreneurship: A Research Digest is written for individuals and organizations concerned with veterans and small business. Its purpose is both to present new information and to offer specific guidelines to help the U.S. Small Business Administration design and manage a program that will effectively assist veterans to fulfill their small business ambitions. I believe the *Digest* has fulfilled its purpose grandly.

Dick E. Ellis

Dick E. Ellis
Director, Office of Veterans Affairs
U.S. Small Business Administration

T·HEAD & COMPANY, INC.
1090 VERMONT AVENUE, N.W., SUITE 926
WASHINGTON, D.C. 20005
202/842/8664
COMMITMENT TO EXCELLENCE

January 30, 1987

Mr. Dick E. Ellis
Director
Office of Veteran Affairs
U.S. Small Business Administration
Washington, D.C. 20416

Dear Mr. Ellis:

The T. Head and Company, Inc. is pleased to submit the attached Research Digest to the U.S. Small Business Administration.

The Digest presents non-technical summaries of the data, conclusions and recommendations of nine studies which were commissioned by the Office of Veterans Affairs to analyze the economic condition, self-employment aspirations and business needs of America's veterans.

Kindly accept my thanks for the opportunity to be of service.

Very truly yours,

Toney Head Jr

Toney Head, Jr.
President

Attachment

HOW TO USE THIS DIGEST

In order to provide an index or "roadmap" to the studies, we created a matrix. This is Appendix A. If you are looking for a particular topic, or want to know what is in a specific survey, the matrix will serve as a locator.

Step A - If you are searching for a specific topic, check to see if it is listed in the matrix. Matrix categories are:

1. Entrepreneurial Choice
2. Demographics
3. Employment Characteristics
4. Business Characteristics
5. General Financial and Economic Considerations
6. Experience with SBA and Other Public and Private Assistance

Step B - If your topic is in the matrix, refer to the information in the boxes to the right. By checking the titles across the top you will be able to tell in which survey your topic is addressed and for which population group the information is available. The numbers in the column identify the veteran population groups:

1 - Nonveterans
2 - All Veterans Combined
3 - World War II Veterans
4 - Korean War Veterans
5 - Vietnam War Veterans

Step C - If your topic is not in the matrix, read the summaries in Section III of this Digest. This will refer you to the major topics within the studies, then review the reports which are most likely to discuss your topic.

Step D - If none of the above works, consult the studies directly, check the individual indexes and listings of charts and graphs.

All comments and questions about the Digest and requests for information on obtaining copies of the original studies should be directed to the Digest's editor and project director:

Gregory Diercks
Assistant Director
Office of Veterans Affairs
U.S. Small Business Administration
1441 L Street, NW
Washington, D.C. 20416

January 1987

VETERANS AND ENTREPRENEURSHIP

A RESEARCH DIGEST

SECTION I

INTRODUCTION

VETERANS AND ENTREPRENEURSHIP[1]

INTRODUCTION[2]

I. Introduction to Veterans and Entrepreneurship

A. SBA and Its Veterans Program

The Small Business Administration (SBA) is an independent Federal agency created in 1953 to act as an advocate for small business. SBA provides a wide range of Congressionally mandated financial, management training, procurement, and research services to the small business community in general, as well as offering special assistance to members of groups judged disadvantaged, including minorities, women, and the handicapped.

In 1982, SBA created an office designed specifically to reach out to another special group, America's veterans. However, even with subsequent program activities, concerns were expressed about SBA's effectiveness in helping veterans become small business owners. One way SBA has attempted to improve its program effectiveness was to scientifically study its targeted audience -- the veteran and veteran-owned businesses.

The purpose of SBA's research effort is to look at veterans, particularly those of the Vietnam-era and the handicapped, and their involvement with entrepreneurship. The research seeks to furnish the Office of Veterans Affairs of the Small Business Administration with some answers to the following broad questions:

---

1) For the purpose of this Digest, small business owner, entrepreneur, and self-employed are synonymous unless specified otherwise.

2) In lieu of an Executive Summary, which would be repetitive in the context of this Digest, the reader is asked to review Section II for a summary of Findings and Recommendations.

1. What is an entrepreneur? What are the motivations of people who choose entrepreneurship? Is a veteran's motivation the same as that of a nonveteran?
2. Do prospective veteran entrepreneurs need assistance? If they do, what types do they need? How effective is SBA in providing assistance?
3. What are the factors which determine entrepreneurial survival and, ultimately, success?
4. What are the significant socio-economic and financial differences between veterans and nonveterans and veteran and nonveteran-owned businesses?
5. What should SBA do to help veterans, Vietnam-era veterans and disabled veterans succeed?

B. SBA Research Efforts

The enactment of Public Law 93-237 on January 2, 1974 provided the statutory basis for the SBA to give "special consideration" to veterans. Early in 1981, the Small Business Administration created a Task Force on Special Consideration for Veterans. In 1982, this Task Force, composed of representatives from veteran organizations, SBA and other Federal Agencies, recommended among other things, that a veterans business office be established within SBA. Later, in May 1982, the SBA issued a policy statement creating the Office of Veterans Affairs (OVA). In 1983, OVA funded a major research program designed to answer the above questions and assess the economic condition, self-employment aspirations, and business skill needs of veterans. This *Digest* is a product of OVA's veterans research program.

Nine (9) research studies were funded and were intended specifically to provide new information on, among other things: the representation of veteran-owned businesses by industry, the financial condition of veteran-owned business, demographic characteristics of veteran business owners, factors in entrepreneurial choice, management training needs and success/failure factors, entrepreneurial interest among veterans, financial differences between veteran and nonveteran-owned businesses, economic impact of military service on future wage income, comparative repayment rates on SBA loans, and how veteran-owned businesses performed on Department of Defense contracts.

C. Introduction to the Digest

1. Need

Given the number of studies conducted and the large amount of information contained in them, it was recommended that a Digest be developed to review and analyze the research process and to summarize the findings, conclusions and recommendations.

Each survey is presented in a separate summary in Section III. However, since many of the findings, conclusions and recommendations found in the studies are complementary and form a pattern, it is possible to develop a picture of veterans and entrepreneurship. Section II of this Digest sketches this picture with a composite of information contained in the research.

2. Purpose

The purpose of the Digest is to summarize and synthesize the studies in a logical, easy to follow manner, to present the major themes of each one, give a brief analysis of the individual methodologies, and to provide a summary of the recommendations, particularly those which will be of assistance to SBA/OVA in future program planning. Appendix A is a roadmap to the information gathered, Appendix B serves as a complete list of the recommendations from all the surveys, and Appendix C is a bibliography drawn from all of the reports. Additional technical tables are included in Appendix D. The appendices will help the reader gain access to information which might otherwise be lost in volumes of paper.

3. Focus of Studies

The studies are presented in Section III in a specific order. The first study, "Entrepreneurial Choice and Success," describes the entrepreneurial motivation and characteristics of the veteran and nonveteran population. The second, "Profiling Entrepreneurial Veterans," describes the self-employed veteran, who is also a business school graduate, while the third, "Differences between Veteran and Non-Veteran Owned Businesses," explores financial and other differences between veteran and nonveteran-owned businesses.

Studies four and five, "Financial Success and Business Ownership among Vietnam and Other Veterans," and "Vietnam-Era Veterans and Entrepreneurship" focus on information and analysis on the Vietnam-Era veteran. Study five takes the most intensive look at the disabled or handicapped veteran.

The last set of studies examines some of the business needs of the veteran entrepreneur and resources currently available. "Veterans' Needs for Management Assistance" looks at technical assistance available to the entrepreneur from SBA and other public and private sources. Financing is the focus for studies seven and eight. "Viable Loan Categories for Veterans" examines the direct and guaranteed loan programs which SBA offers, while "Informal Risk Capital in the Sunbelt Region" studies the informal investment network which supplies equity capital directly to small businesses. The last survey, "A Study of Department of Defense Procurement from Veterans" examines the agency's experience with veteran vs nonveteran entrepreneurs.

D. Entrepreneurship and The Veteran

The vast majority of America's 16 million businesses are small, sole proprietorships. Since these entrepreneurs constitute a fairly small percent of our entire labor force, it is often asked: What is unique about entrepreneurs? What special characteristics do they have in common? And for this Digest, what specific characteristics do veteran entrepreneurs possess? The overall rate of self-employment for veterans, according to these studies, is about 25% lower than for the general population. Disabled veterans have even more difficulty becoming successful entrepreneurs. Why aren't there more veteran entrepreneurs? Why is their self-employment rate lower than that of comparable nonveterans? Are there special obstacles or factors which inhibit veterans as they try to become successful entrepreneurs? Do the Vietnam-era veteran and the handicapped or disabled veteran need special program assistance to succeed at the same rate as their nonveteran peers? These are the kinds of questions answered by the research.

---

3) Note: Veterans are about 12% of the U.S. population and about 27% of the small business population. While it appears that veterans are over-represented as small business owners, they are, in fact, underrepresented after accounting for such factors as age, sex, education, and race.

E. Introduction to the population

1. General Veteran Community

According to recent reports issued by the U.S. Veterans Administration (VA), the highest concentrations of veterans are reported in California, New York, Pennsylvania, Florida, Texas and Illinois. Veterans of the Armed Forces are represented in almost every walk of life, and they live according to the same patterns as the total population of the nation -- veterans did not appear inordinately urban, suburban or rural.

2. Overview by Period or War

Veterans from the Korean War and World War II are at least forty-five years old, and are far more likely than Vietnam-era veterans to be retired because of this age factor. According to the Census, 80% of this non-Vietnam-era group is 55 or more and one-third is over 65. These statistics must be kept in mind when considering the survey findings, especially in studies which compare the Vietnam and non-Vietnam veteran and nonveteran populations.

In order to help the reader readily identify these veteran groups, Appendix A provides a synopsis of the data in each study, and identifies which population groups are analyzed in each report. The breakdown, in numerical terms of specific war periods, according to 1980 census data is:

---

4) It must be remembered that the veteran population differs greatly from the population as a whole. Veterans tend to be older, better educated, more likely male, and more likely non-minority than nonveterans.

CHART A - POPULATION BY SERVICE PERIOD

Service Period		Population	% Labor Force*
World War I	=	445,000	.4%
World War II	=	12,124,000	11%
Korean War	=	5,717,000	5%
In-Between (Korean & Vietnam)	=	3,000,000	3%
Approximate Total Pre-Vietnam War	=	21,286,000	20%
Vietnam War	=	8,984,000	8%
Post Vietnam	=	1,239,000	1%
Approximate Total Number of Veterans	=	31,509,000	29%

* Labor Force = 108,544,000

3. Disabled Veterans

There are approximately 2.5 million disabled veterans in the U.S. today. Except for their handicaps or disabilities, there are only minor demographic characteristics separating them from their colleagues. Yet this group seems to have the most difficulty remaining employed or becoming successful entrepreneurs.

---

5) In April, 1985, a special report, "Veterans in the Workforce," by the Labor Department's Bureau of Labor Statistics estimated that the unemployment rate for all veterans was 5.5% while that of the Vietnam veteran during the period was 6.7%. Veterans with service-connected disabilities had an unemployment rate of 7.6%, and a disabled Vietnam veteran had an unemployment rate of 9.2%. One of the research surveys indicated the actual rate could be as high as 28%.

VETERANS AND ENTREPRENEURSHIP

A RESEARCH DIGEST

SECTION II

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

II. Summary of Major Findings and Recommendations

A. Overview of the research

While there was some variation in the findings and conclusions within the research, veterans were determined to be less likely than nonveterans to go into business for themselves. Some differences were found in the relative financial performance of veteran and nonveteran-owned businesses and a significant difference between veterans and nonveterans was found in the type of business selected. Vietnam-era veterans indicated a definite but latent desire to go into business for themselves.

The research describes the average entrepreneur as a white male in his late 40's with a college degree. His chief motivation is the desire to be independent and to face the challenges of working for himself. Most veteran entrepreneurs have worked for someone else, and prefer starting their own business rather than buying an existing one. Minorities and women are a very small part of the entrepreneur population, veteran or nonveteran. However, veteran minorities and women, upon becoming part of the wage-earning population, earn substantially more than their nonveteran counterparts.

The studies which specifically compared demographic and financial characteristics of veteran and nonveteran entrepreneurs found that while veterans are older and better educated than nonveterans, they start and own smaller businesses, need more capital, and earn somewhat less than their nonveteran counterparts. It was determined that veterans are most likely to start businesses in the manufacturing, retail, wholesale and service industries and least likely to enter the finance, insurance and real estate industries. Likelihood of success as tied to geographic and industrial dispersion is similar for veterans and nonveterans.

Veterans who are wage earners tend to work longer hours and more weeks per year than nonveteran wage earners and to go into jobs which correlate with what they did in the military (e.g., pilots, airplane mechanics, police, etc.) Additionally, minority veterans in all age categories earned substantially more in wages than their nonveteran peers.

Entrepreneurs need resources to achieve business success. These resources can range from technical assistance such as accounting, management, marketing, research, and counseling services to access to financing and investment capital. Research findings indicate that substantial resources and assistance are available from public as well as private agencies and institutions and that veteran entrepreneurs do utilize such assistance from the SBA, VA, public interest groups, military, educational, financial, legal and social institutions. Assistance takes the form of management counseling, training, financing, discounted or free services, special access to limited markets and business contracts.

The research also indicates that veterans and nonveterans who use both SBA and non-SBA resources, rate the latter better than SBA assistance. However, SBA products and services are rated as fairly effective. It was noted that those veterans whose businesses perform well had substantially better perceptions of SBA assistance than those whose businesses were faltering. Disabled and minority veterans are more likely than non-disabled, white veterans to use SBA services. Veterans who receive multiple SBA services, (e.g., counseling, technical assistance, research and training) are more likely to increase their performance level than those who receive a single type of service.

Informal investment (risk capital) was determined to be an important potential source of funding for small start up firms, since there is virtually no shortage of informal capital funds available. Veteran-owned businesses, therefore, should direct more of their corporate development efforts towards finding informal investors who have a ready supply of capital and a willingness to invest in both start-up and expansion of existing firms. Findings indicated that informal risk capital is a workable resource available to entrepreneurs in quantities greater than currently used. However, venture capital investors did indicate dissatisfaction with the information channels available to them to identify potential investment opportunities.

Research on SBA loans to veterans concluded that performance or "payback" of SBA guaranteed loans depends on the economic growth rate of the industry to which the business belongs, as well as the economic growth rate of the geographical region in which the business resides. It was recommended that SBA study why its direct loan program to veterans had such a relatively poor performance record.

Research on Defense Department (DOD) contracts found that there is no difference in the degree to which veteran firms are awarded defense contracts by size of contract or type of product or service; and, that there is virtually no difference between the quality of work performed by veteran and nonveteran-owned firms. This does not mean, however, that there is no intrinsic benefit to be derived from having a veteran preference factor present in awarding DOD contracts.

It was found that disabled male veterans are less likely than non-disabled males to be successful in their business activities and to become full-time entrepreneurs. The research indicates that disabled veterans are more likely to be self-employed on a part-time basis in smaller and lower capital and venture businesses than the non-disabled entrepreneur. The VA's system of evaluating and rating disabilities is seen as a major disincentive for veterans, especially the more severely handicapped, because they are either uncertain as to the extent to which their self employment income will reduce their disablility rating and benefits or they know the trade-off and prefer to stay with their guaranteed VA compensation.

B. A Discussion of Methodology and Conflicting Findings

Due to the differences in the study populations, the data bases and statistical techniques used, and the exact questions asked, it is difficult to compare specific findings and conclusions of individual studies with each other. No major conflicting results were noted among the studies; most of the differences in findings could be explained by differences in the sample, the survey instrument, or the interpretation of individual responses.

Some of the studies came up with apparent contradictory findings simply because they had collected and analyzed similar but not completely matching data. Seemingly contradictory results were noted among "Profiling Entrepreneurial Veterans," "Entrepreneurial Choice and Success," and "Veterans' Needs for Management Assistance" because of slight differences in response rates, what the individual researchers considered a meaningful finding, and the statistical significance of those findings.

Some contradictions in study findings came about because of differences caused by sample selection methodology. "Entrepreneurial Choice and Success" considered two population groups, nonveterans and all veterans combined, as did "Differences Between Veteran and Nonveteran-Owned Businesses." Profiling Entrepreneurial Veterans" studied nonveterans, World War II, Korean, and Vietnam War veterans who were alumni of business schools while "Financial Success and Business Ownership Among Veterans" used the same population breakdown but without using business school as a selection factor and also separated out those veterans who had served between the Korean and Vietnam eras. "Vietnam-Era Veterans and Entrepreneurship," of course, concentrated on only the Vietnam-era veteran with an emphasis on the disabled veteran, while "Veterans' Needs for Management Assistance" used population categories of nonveterans, veterans in general, and Vietnam Veterans.

The differing population and education groupings, as well as the size of the groups and the different focuses of each study, reduced the replication value of the research. While the general emphasis of the studies was roughly the same, each study differed in one or more substantial ways.

C. Specific Findings and Recommendations

Numerous findings and recommendations were contained in the nine studies. Some of the most useful and valuable findings relative to Federal policy formulation and program design for veterans were:

1. Principal Findings:

   a. Characteristics of Entrepreneurs

      o Most entrepreneurs are white, male, nonveterans, often with some graduate school education.

      o The self-employment rate for veterans is about 25% lower than that of the general population. (See: Tables 2, 7, 8, 9, 10) therefore,

      o Veterans are substantially more likely than nonveterans to be wage-earners than entrepreneurs. (See: Table 7)

   b. Characteristics of Businesses

      o Veteran-owned businesses are younger, smaller, and more in need of start-up capital than nonveteran-owned businesses.

      o Vietnam veteran-owned businesses are smaller, younger, and need more start-up capital than other veteran-owned businesses.

      o Veteran-owned businesses differ significantly from nonveteran-owned businesses in their distribution across industry sectors. (See: Tables 1 and 5)

      o Vietnam veteran-owned businesses differ significantly from other veteran-owned businesses in distribution across industry sectors. (See: Table 1)

      o Veterans start businesses in industries that tend to have a high concentration of smaller firms.

c. Employment and Income Characteristics of Veterans

- Veterans tend to select jobs and businesses directly related to the jobs they held in the military.
- Veterans receive their military training in occupations that traditionally have low civilian self-employment levels.
- Between 700,000 and 1,000,000 Vietnam-era veterans are projected to show a strong interest in self-employment.
- Disabled, female and minority veterans were less likely to become entrepreneurs than their nonveteran counterparts. (See: Tables 2, 9, 10, 11)
- Veterans earn substantially more as wage earners than as small business owners. (See: Tables 3, 4, 6, 12, 13, 14)
- Self-employed Vietnam-era veterans earned incomes that were somewhat less than the incomes of their self-employed non-veteran counterparts. (See: Table 4)
- After an initial lag, wage earning nonveterans of each war period had higher incomes than comparable wage earning non-veterans. (See: Tables 3 and 12)
- Veterans of each war period more frequently hold full-time jobs, are less frequently unemployed, and work more hours per year than nonveterans.
- White Vietnam-era veteran wage earners earned less than non-veterans of the same age and education by 5.7% per year of service, but this income loss was temporary and later they followed the same higher earning patterns as veterans of previous war periods.

- For certain veteran subgroups, e.g. minorities, women, high school dropouts, annual wage earnings were substantially higher - up to 36% more income than their nonveteran peers. (See: Table 3)
- Female veterans earn substantially more in self-employment income and wages than their nonveteran peers. (See: Tables 3 and 4)
- Disability increases the likelihood that a business will not succeed and probably decreases the chance of survival beyond 3 years.
- Disabled veterans who are self-employed are more likely than other male, self-employed individuals to be self-employed part-time, have fewer employees, and generate lower earnings. (See: Tables 4 and 12)

d. Other Findings

- Guaranteed SBA loans perform better than direct loans.
- There seems to be no shortage of informal risk capital funds, nor an unwillingness to provide funds to small or veteran-owned businesses but channels of communication are weak. (See: Table 21)
- In SBA's sunbelt regions, 4.7% of small businesses had informal investors.
- Veteran informal investors, especially Vietnam veterans, tend to invest in veteran-owned businesses. (See: Table 22)
- Both entrepreneurs and non-entrepreneurs have doubts about the effectiveness of current Federal small business assistance programs.

- SBA is not meeting the needs of Vietnam veterans because of the low quality of services and limited program promotion.

2. Specific Recommendations

- SBA needs to make its services and programs better known to the small business community, veterans organizations, and members of the Armed Services approaching separation or retirement.
- SBA Central Office should train its field office staff in more effectively assisting veterans, encourage prompt and consistent response to veteran inquiries and streamline operations, perhaps offering "one-stop shopping", especially for the disabled veteran.
- SBA should develop, at the local District Office level, contacts, channels of communication, and financial information on and with informal investors to assist veterans in tapping that vast source of high risk equity financing.
- SBA should design and conduct training programs for veterans to develop strategies to successfully negotiate financing/ownership contracts with informal investors.
- All SBA management courses should be professional, intensive, include hands-on experience, and as possible, be offered through the assistance of SCORE or other successful volunteers. SBA and business or trade schools should consider working together, perhaps through the Small Business Development Center program.

- SBA should develop training programs that address the management problems of small, undercapitalized firms in their early stages of growth, with less than 20 employees.
- Networking or support programs like the Veteran Business Resource Councils should be expanded and encouraged to provide assistance to veteran business owners.
- Other Federal agencies should consider monitoring the level of participation of veteran-owned firms in Federal procurement programs. (See: Tables 17 and 18)
- The impact of the VA rating system on the entrepreneurial initiative of disabled veterans should be studied. Veteran affairs information should be shared with the VA and discussions held about possible joint programs.
- SBA should review the performance of the Handicapped Assistance Loan-2 Program and determine if there are distinct patterns of use by degree and type of disability and if these veterans need special assistance from the VA or SBA.
- Modifications to the 8(a) Minority Business Development and Procurement Assistance, and 7(j) Management and Technical Assistance Programs to include Vietnam era veterans and/or disabled veterans should be considered.
- SBA should use the VA Vet Centers more heavily. SBA should explore with the VA the possibility of providing the services of a loan officer and SCORE representative on a trial basis in selected Veteran Service Centers around the country.

- SBA should package its financial and management assistance services for veterans and integrate the SBA management assistance program with the loan programs.
- SBA should evaluate its management assistance to veterans to determine its impact and more clearly identify specific needs.
- Annual goals for increasing veteran involvement in current SBA programs should be established.
- Handicapped and minority veterans should be targeted to increase their self-employment rates and earning levels.

And, finally,

- SBA must make a basic policy decision whether to target Vietnam-era veterans as a priority group for service to raise their self-employment and earning levels.
- If SBA decides to give Vietnam-era veterans special services, it must provide more resources to meet the demand.
- If SBA decides against giving Vietnam-era veterans special services, it should re-evaluate its current policy and program of special consideration to all veterans. The current confusion in the message is that while special emphasis is merited, there are insufficient resources. The result is that the Vietnam-era veteran is developing a negative image of the Agency because of unfulfilled expectations. For a more extensive listing of the recommendations from the studies in this Digest, please refer to Appendix B - Recommendations.

SECTION III

SUMMARIES OF INDIVIDUAL STUDIES

A. ENTREPRENEURIAL CHOICE AND SUCCESS

By: CERA Economic Consultants, 1985, Old Greenwich, Connecticut

1. PURPOSE OF THE STUDY

a. General Statement

The study was designed to identify the factors that influence an individual's decision to become self-employed, as well as the factors which influence an individual's earnings from self-employment. It also examined whether the probability of self-employment differs for otherwise comparable veterans and nonveterans, or for comparable veterans of different military eras.

b. Focus

Particular attention was given to whether veterans are more or less likely than nonveterans to work for themselves and whether self-employed veterans are more or less successful than self-employed nonveterans. The study also sought to accomplish the following objectives:

1) To develop a framework for studying entrepreneurial choice and success that integrates key aspects of several economic, sociological and psychological theories of entrepreneurial choice and success;

NOTE: The survey overviews in Section II contain the opinions and professional judgements of the contractor hired to write this Digest. They are not necessarily the view of the U.S. Small Business Administration or the contractors/subcontractors who performed the original research.

2) To test theories of entrepreneurial choice that have been proposed by psychologists, sociologists and economists;

3) To study personality traits among entrepreneurs;

4) To compare the characteristics of self-employed and wage and salary workers; and,

5) To examine the influence of various personal or demographic characteristics (i.e., education, age, race, sex, marital and family status, and military service) on the probability of entrepreneurial choice.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

The purpose of the survey design was to obtain the most statistically reliable estimates of the determinants of the probability of self-employment, given the overall limitation on the number of individuals used in the sample.

b. Instrument

The study relied heavily on data drawn from the 1980 Public Use Sample prepared by the U.S. Bureau of the Census. Results were based on the 1970 Public Use Sample for comparison only, since the 1970 data contained very few Vietnam veterans for reliable analysis and no information on female veterans. All information presented related to the statistical manipulation of the sample.

c. Sample Population

The sample population consisted of 6,000 individuals covering two categories -- self-employed workers and wage and salary workers. Roughly equal size samples of self-employed and wage workers were used. Only individuals who worked full-time in the preceding year were included in the sample. Professionals (i.e., doctors, lawyers, etc.) were not used because they are normally self-employed and the determinants for them are likely different from the determinants for occupations where there is less need for large human capital investment.

Only individuals between the ages of 18 to 65 were used in the sample; men and women were analyzed separately.

d. Statistical Techniques

The statistical methods and equations used were adequate to permit the researchers to quantify or estimate the separate influences of the many socio-economic and demographic characteristics (i.e., age, income, sex, race, education, marital and family status, and military service) on self-employment choice and success.

e. Literature Review on Choice Theory

A literature review on choice theory provided a framework for studying entrepreneurship. It focused on economic, psychological, and sociological characteristics of entrepreneurs within an integrated framework for studying entrepreneurial choice and success. These studies suggest that entrepreneurs are different from non-entrepreneurs and that there is a correlation between certain personality traits and entrepreneurial success. The theories suggest that entrepreneurial choice depended upon innate ability and taste for entrepreneurship. Four theories received special attention:

1) Robert E. Lucas' economic theory which proposes that individuals who are more able at entrepreneurship start businesses and that individuals who are less able at entrepreneurship, work for someone else;

2) Richard Kihlstrom and Jean-Jacques Laffont's theory that individuals who are more risk-averse are less likely to choose to work for themselves than someone else;

3) Albert Shapero's psychological theory that displaced persons (i.e., divorced, military-discharged, unemployed, etc.) tend to become entrepreneurs; and

4) Various sociological studies that claim immigrants are more likely to become entrepreneurs were also offered to explain the "entrepreneurial personality" type.

Besides testing the consistency of these theories, other hypotheses were presented in the study; they were:

5) The probability that an individual will seek self-employment increases with age;

6) Veterans from other service periods and nonveterans are more likely to become entrepreneurs than veterans who were in the military during or after the Vietnam War era; and

7) Education had little influence on the tendency of individuals to choose self-employment.

3. MAJOR FINDINGS

The most important findings about veterans from the study were:

a. Male veterans from the periods during and after Vietnam showed less inclination to work for themselves than for someone else, and also earned slightly less at self-employment than nonveterans;

b. Black males were less likely than white males to become entrepreneurs;

c. Black males who worked for others earned 21% less than white males, but black males who selected self-employment earned 20% more than comparable white males who were self-employed;

d. Black females who chose to work for someone else earned 8% less than comparable white females, but self-employed black females made 17% more than self-employed white females;

e. Male immigrants did not show a greater likelihood to select entrepreneurship than comparable men; they also made less money than other men;

f. There is a strong positive correlation for males between education and self-employment earnings;

g. The likelihood that individuals will work for themselves increases at a diminishing rate with age for men but not for women;

h. Women who entered military service during or after the period of the Vietnam War were less likely than other women to work for themselves than for someone else. However, women veterans of all eras earned more at both self-employment and wage work than other women; and,

i. The chances of working for oneself increases with the differences between anticipated earnings from self-employment and anticipated earnings from wage employment for both men and women.

4. CONCLUSIONS AND RECOMMENDATIONS

Several important conclusions were derived from this study which developed a general model of entrepreneurial choice and success. They are:

a. Evidence was not consistent with the theory that individuals with more risk-taking capacity are more likely to work for themselves than someone else. Nor did results agree with sociological studies that claim immigrants were more likely to become entrepreneurs;

b. Evidence also was not consistent with Shapero's theory that displaced persons tend to become entrepreneurs. It was found that divorced people were less prone to become entrepreneurs, as were recent veterans;

c. Evidence was consistent with Lucas' economic theory which proposes that individuals who are more able at entrepreneurship start businesses, and people who are less able, work for someone else; and

d. Evidence also agreed with various psychological studies that found self-employed workers are innately different from wage workers. It was concluded that men with relatively low earning power because of unobservable attributes (such as psychological characteristics) tend to choose self-employment while comparable women with relative high earning power choose self-employment.

Although the study addressed many important questions concerning the determinants of entrepreneurial choice and success, many other questions remained unanswered because of the limited data. The major recommendation from this survey was that further research should be devoted to collecting and analyzing more comprehensive longitudinal data (long-term observation) on entrepreneurs and people who work for others.

B. PROFILING ENTREPRENEURIAL VETERANS

By: Mid-Atlantic Research Inc., 1984-6, Williamsburg, VA.

1. PURPOSE OF THE STUDY

a. General Statement

The principal purpose of the study was to construct a profile of entrepreneurial veteran alumni of business schools and determine whether military service, especially combat service, had any effect on entrepreneurial related motivations and behavior.

b. Focus

An exploratory research model was developed which focused on the point where an individual faces the question of whether to go into business for himself or herself. Factors resulting from what was called the "Free Decision" period or "Crisis" point, both push and pull an individual into entrepreneurship. This model proposes two types of factors:

1) Internal - those which include personal and psychological characteristics, and

2) External - those which include resources and constraints such as financing, family obligations, technical assistance and emotional support.

c. Specific Organization of the Study

The first phase of the study consisted of a survey of the literature on entrepreneurship, including isolating factors potentially related to entrepreneurial motivation, the effect of military service on career paths, individual characteristics, and the intrinsic relationship between veteran status and entrepreneurship.

The second phase consisted of a series of group interviews with alumni from four out of six business schools that participated in the survey. Phase three involved a mail survey directed at a sample of graduates from all six business schools selected.

d. Major Objectives and Central Study Questions

Several major objectives formed the basis for the study. They are:

1) To develop a model of entrepreneurship;

2) To identify various factors that influence entrepreneurship;

3) To develop profiles of entrepreneurs who are veterans of three war periods; (World War II, the Korean and Vietnam Wars) and,

4) To construct or formulate an entrepreneurial type.

The central question of the research study was "Why do some people facing the decision of self-employment, choose to embark on a new venture, while others continue to cope with or seek jobs in firms owned by others?"

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

A mail survey was used on graduates of six business schools. Interviews were held with alumni of four of the six schools. A separate group interview was conducted with representatives of the U.S. Small Business Administration. The purpose of the study was to identify recommendations for policies and programs which would encourage entrepreneurship among veterans and to explore program implications of the study findings.

b. Instrument

An eight-page questionnaire was developed in coordination with the SBA. Questions were selected on the basis of their relationship to key variables hypothesized to be associated with entrepreneurship. Adaptations of motivation (task preference) skills from related research were used to construct the questionnaire.

A total of 5,229 questionnaires were returned and included in the analysis, representing 26.1% of the mailed questionnaires.

c. Sample Population

Alumni from six graduate schools were surveyed. The schools were selected to represent a mix of public and private, large and small, and majority and minority institutions which indicated a willingness to participate. The institutions were: the University of Maryland, Ohio State University, Norfolk State University, the College of William and Mary, Texas Christian University and the University of Tennessee.

Most of the respondents were white (95.6%), married (69.3%), and male (75.8%). About one-fourth had some graduate level education and about half had incomes of $35,000 or more. Nearly half worked in firms employing fewer than 500 workers, and they tended to concentrate in service industries. Most of the respondents (80.2%) indicated satisfaction with current jobs.

In the mail survey, approximately a third (31.7%) were veterans; of these, 35.8% served in World War II, 21.9% in the Korean War, and 37.5% in Vietnam. About 75% were enlistees, and about 50% served in the Army. Slightly less than half saw combat, mostly in World War II. Almost one-third left the service as commissioned officers, and another third were non-commissioned officers.

Veterans were more likely than nonveterans to be male; 98.6% of the veterans and 65.7% of the nonveterans were men.

d. Statistical Techniques

The researchers did not present the methods or techniques used to select the schools. They also did not discuss the statistical techniques employed to substantiate their findings or conclusions.

3. ANALYSIS AND MAJOR FINDINGS

a. Business School Alumni and their Entrepreneurial Experience

Among the alumni surveyed, entrepreneurs tended to be married and better educated than non-entrepreneurs (41% vs 34.8% pursued education beyond a bachelor's degree). This finding differs from other research findings because the survey was limited to business school alumni. Veteran alumni surveyed also had higher incomes than nonveterans (41% vs 18% made $50,000+ per year and were more satisfied with their jobs).

b. Relationship Between Military Service and Entrepreneurship

Generally, researchers found little relationship between military service and attitudes on non-military issues. Many of the veterans surveyed believed that military service made a real contribution to business success.

A major finding of the mail survey was that veterans were more likely than nonveterans to be entrepreneurs -- 41.5% of the veterans had owned and operated a business, compared to 24.5% of the nonveterans. The surveyor noted "This association, however, is explained not by some factor related to military service which stimulates entrepreneurship, but to demographic differences between veterans and nonveterans -- the tendency of the veterans to be older and better educated and their greater likelihood of being male."

c. Profiles of Veteran Entrepreneurs of Three War Eras

Veterans who served in World War II are most likely to be self-employed, probably because they are older -- 49.3% of the World War II veterans, 42% of the Korean War veterans, 33.3% of the Vietnam-era veterans and 40.6% of those who served during peacetime are entrepreneurs. Officers were not found to be more likely than non-officers to be entrepreneurs.

4. CONCLUSIONS AND/OR RECOMMENDATIONS

There is an apparent relationship between veteran status and entrepreneurship, as veterans are more likely than nonveterans to be entrepreneurs; however, it is very important that no causal relationship be inferred. Some prominent conclusions were:

a. Veterans differ from nonveterans; they are older, better educated and earn more;

b. Both entrepreneurs and non-entrepreneurs had doubts about the usefulness of Federal small business programs; and

c. Veterans who were in the business school alumni generally showed more of a tendency for high achievement, risk-taking, autonomy and entrepreneurship than nonveterans.

Several recommendations for veteran programs and policies were offered by the researchers. They included:

a. Continuation and expansion of technical assistance and management training programs;

b. Monitoring of Federal procurement status of veteran-owned businesses;

c. Maintaining current standards and interest rates for veteran applications in SBA loan programs but offering assistance in preparing applications;

d. Gearing more programs in business schools towards small business management and ownership as a career option;

e. Sponsoring research and evaluation studies of veterans and federal programs geared to assist veteran entrepreneurs; and

f. Establishing more effective coordination of loan and technical assistance programs within the Small Business Administration.

C. DIFFERENCES BETWEEN VETERAN AND NON-VETERAN OWNED BUSINESSES

By: Inductive Inference, Inc., 1985-86, New York, New York

1. PURPOSE OF THE STUDY

a. General Statement

This study was conducted to determine which financial and industry related characteristics distinguish veteran-owned businesses from nonveteran-owned and Vietnam veteran-owned businesses.

b. Focus

Emphasis was placed on the distribution of veteran-owned businesses by industry. The determination of selected industries was the main focus of the research. The study also stressed that new insights into veteran training programs, small business loans and other aspects of public policy could be better formulated by determining whether veterans differ from other entrepreneurs, and whether the businesses they formed or their need for capital was different.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

Financial statements from three randomly sampled groups (i.e., nonveteran-owned businesses, Vietnam veteran-owned businesses, and other veteran-owned businesses) were obtained. Each group participant was asked to respond to the SBA Ownership Characteristic Survey (OCS), based on a 3% sample of the Master Establishment Records (MER). The results of this survey were then matched against Dun's Financial Profiles (DFP) in order to collect financial data.

Each business in the file of OCS participants (e.g., 10% of the MER sample) was then matched against the Dun's Market Identifiers (DMI files), which contain the Standard Industry Code (SIC), sales data and number of employees for four million firms.

b. Instrument

The principal means of obtaining information on the different characteristics of the three sample groups were the SBA/OCS, the DFP and the DMI.

c. Sample Population

The sampling and searching procedure described in the survey design was repeated until a representative number of firms in three categories was obtained. They were then grouped into what was termed FILE A:

1)	Nonveterans:	10,355 businesses
2)	Other veterans:	3,430 businesses
3)	Vietnam veterans:	1,112 businesses

Dun and Bradstreet then matched the DFP files against businesses in FILE A, and the following number of matching firms with financial statements in each of the categories resulted. This collection was termed FILE B:

1)	Nonveterans:	5,106 businesses
2)	Other veterans:	1,550 businesses
3)	Vietnam veterans:	461 businesses

The 2,011 veteran-owned businesses in FILE A were combined with a random selection of 2,011 nonveteran-owned businesses from FILE B. The analysis sample consisted of three quarters of the combined sample and the remainder formed the test sample. Both samples contained equal numbers of veteran-owned businesses and nonveteran-owned businesses.

d. Statistical Techniques

1) Formulation variable summary

The study utilized a statistical technique called Adaptive Data Analysis Method (ADAM), a version of discriminant analysis, a technique which involves the clustering of variables to identify common characteristics among them. The investigators were looking for differences among Vietnam veterans, other veteran and nonveteran-owned businesses. Therefore, they used this procedure which ranks data repeatedly, looking for relationships. This kind of approach requires a larger sample than would normally be needed for discriminant analysis. The investigators indicated, however, that the final sample was less than fully adequate for the study.

Various financial quantities (i.e., sales, total assets, etc.) and financial ratios were computed for each firm in the sample; these values became the raw variables for the analysis. Many different kinds of variables were constructed by examining growth, geography, size and other measures for each of the raw variables. Each of these segmented variables was examined and candidate variables were identified. These candidate variables were deemed to have potential analytic power for the final analysis. Altogether, more than 550 candidate variables were identified.

2) Primitive characteristics

"Primitive characteristics" were then developed for each variable. These characteristics indicated that the variable for a given firm was greater than, less than, or within some range of a set of threshold values.

3) Compound characteristics

A combination of these primitive characteristics is called a compound characteristic. These characteristics (both primitive and compound) were then analyzed to determine if there were common financial and other factors which differentially characterize any of the three groups being examined (Vietnam veteran, other veteran and nonveteran-owned businesses.)

4 Reliability

Two techniques were used to ensure reliability. Cross-validation was used along with a non-standard technique. Cross-validation was performed by dividing the sample into two parts, one consisting of a random sample about three quarters of the size of the original sample and a test sample covering a quarter of the original sample.

3. ANALYSIS AND MAJOR FINDINGS

a. Analysis of Financial Data

1) Veteran vs. Nonveteran-Owned Businesses

A Vietnam veteran is just as likely to own a business as anyone else in the work force. There are no clear or reliable financial distinctions between veteran-owned and nonveteran-owned businesses.

2) Vietnam Veteran vs. Other Veteran-Owned Businesses

Vietnam veteran-owned businesses were smaller, younger and needed more capital than other businesses, including other veteran-owned businesses. Other differences were insignificant.

b. Analysis of Industry Membership

Vietnam veteran-owned businesses, veteran-owned businesses and businesses in general differed in their industry distribution. Veteran-owned businesses were overrepresented in wholesaling and manufacturing and underrepresented in finance, insurance, real estate, mining, transportation, communications, other utilities and retailing.

Differences between Vietnam veteran-owned businesses and veteran-owned businesses were also noted in that:

1) The concentration of Vietnam veteran-owned businesses in finance, insurance, mining, and real estate was significantly less than veteran owned businesses; and

2) The concentration of Vietnam veteran-owned businesses was higher than veteran-owned businesses in manufacturing, agriculture, forestry, service industries and fishing.

4. CONCLUSIONS AND/OR RECOMMENDATIONS

Many of the peculiarities of the marginal concentrations of Vietnam veteran-owned businesses in different industries also apply to veteran-owned businesses. These peculiarities are largely paralleled by differences in employment in these industries between Vietnam veterans and the remainder of the work force. Few of the differences between veteran-owned businesses, Vietnam veteran-owned businesses and businesses in general appear to be accounted for by growths in number of enterprises in each industry category during the inceptions of the veteran-owned business and the Vietnam veteran-owned business.

It is not easy to form hypotheses to account for the observed peculiarities. These difference should be viewed with some measure of skepticism because the method by which the data samples were acquired does not guarantee a random sample, although it is unclear what kind of bias, if any, might have been introduced. The differences are suggestive, however, of possible requirements for capital, training and support programs for veterans, but the researchers did not come forth and specify.

Finally, further research was recommended to determine the reasons for the differences between the distributions over industries of Vietnam veteran-owned businesses, veteran-owned businesses and other businesses in general.

D. FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VIETNAM AND OTHER VETERANS

By: Steven Lustgarten and Associates, 1986, Mt. Vernon, New York

1. PURPOSE OF THE STUDY

a. General Statement

This study measures differences in income and self-employment frequencies between veterans and nonveterans that can be attributed to military experience. Specifically, it compared the veterans of Vietnam to other veterans and nonveterans with the same education, age, job experience and other income-affecting characteristics.

b. Focus

The focus of the study was on the degree to which veterans had entered small business and how their financial success (in terms of self-employment and wage income) compared with nonveteran business owners. The major objectives and hypotheses of the research were:

Objectives -

1) Determine the degree to which self-employment has furnished veterans with a means of achieving economic equivalence to nonveterans;

2) Examine prominent subgroups of veterans including white males, minority males, females and the disabled;

3) Identify and analyze the types of occupations and businesses veterans have selected.

Hypotheses -

1) Military service teaches skills which make the individual more productive in civilian jobs and increases lifetime earnings;

2) Skills learned in the military are not easily acquired by nonveterans;

3) Military service experience functions as a screening device and permits veterans to obtain higher paying jobs than nonveterans with equivalent measurable abilities; and

4) It is likely that the average level of innate ability is higher for the veteran population than for nonveterans.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

The data for the study were drawn from the Public Use Microdata Samples (PUMS) constructed from the 1980 U.S. Census. The data on income covered the year 1979.

b. Instrument

The samples of PUMS records used for this study were constructed in several steps. Since it was known beforehand that the sample of veterans would have peculiarities with regard to the distribution of age, the veterans sample was drawn first. In this way, the nonveteran sample could be constructed to resemble it.

c. Sample Population

Veterans of four different periods were surveyed and compared to a sample of nonveterans who had the same proportion of individuals at each age as the veterans. The war periods selected were: the Vietnam era, the period between Korea and Vietnam, the Korean war period and the World War II era. The sample of veterans between the ages of 18 and 65 was used in the study. Specifically, three files representing separate samples from the population were constructed. They were called samples A, B, and C respectively.

d. Statistical Techniques

Two techniques were used. The first was a univariate technique in which average incomes and self-employment rates were compared for groups of veterans and nonveterans. Three variables formed the analytical structure:

1) Percentage of self-employed labor force participants.

2) Annual wage income of non-self-employed participants.

3) Annual income of self-employed participants.

Values for each of the three variables were computed by group means for each war period for white males, non-white males, all females and disabled males. Also, for each group, the variables were analyzed by education level, and age (or experience).

The second technique used was a multivariate regression analysis, in which the effect of veteran status on income or the likelihood of self-employment was determined while controlling for other variables that included marital status, geographic location and ethnic background. For the analysis of the likelihood of self-employment, the researchers used dummy dependent variables or regression equations where the dependent variable took on only two values, (i.e., yes or no, are you married or are you a minority).

e. Regression Analysis of Earnings

The regression analysis of earnings used the natural log of earnings as the dependent variable with a number of "explanatory" variables, one of which was veteran status. These values were grouped into two categories:

1) Productivity Variables, (e.g., schooling, years of experience, marital status, experience acquired, time out of the labor force, weeks worked/year, hours worked/week) and,

2) Non-Productivity Variables, (e.g., regional variables, race, sex, sample size, type of firm, family background). Both categories of variables were deemed important characteristics affecting income for the survey.

3. ANALYSIS AND MAJOR FINDINGS

There were numerous findings and conclusions drawn by the researchers of the study. Only the most important ones have been noted below:

a. When accounting for factors such as marital status, work experience and education, the likelihood of self-employment for white male Vietnam veterans was about 36 percent lower than for white male nonveterans and 23 percent lower on the average for veterans from other periods;

b. White male veterans with graduate school education were more likely to be self-employed, but they represented only 10 percent of the working veteran population;

c. Disabled and minority veterans were less likely to become entrepreneurs;

d. Vietnam veterans had greater financial success as wage earners than as entrepreneurs. They earn less in wage income than nonveterans while veterans of other wars earn more than nonveterans;

e. Self-employed Vietnam veterans earned incomes nearly equal to nonveterans of the same age;

f. Veterans tend to work more hours each week, and more weeks per year than nonveterans;

g. Vietnam veterans who dropped out of high school, (whether disabled, white or non-white males, or female) earned more annually than their non-veteran counterparts;

h. For veteran minorities and women, military service appears to offer a means by which they can achieve economic equivalence with the majority population;

i. Veterans' choices of occupations tended to be correlated between war periods with jobs they held in the military (i.e., pilots, air traffic controller, mechanics, police, etc.);

j. Veterans tend to be underrepresented in occupations that have high self-employment rates. This suggests that military job training is in areas where self-employment opportunities are low;

k. Business choices of veterans tended to be related to occupation choices. Businesses owned by veterans tended to be more in industries already overrepresented by veterans;

l. The highest proportion of veteran-owned businesses was in industries which included air transportation, aircraft parts manufacturing, protective services, etc.;

m. Businesses underrepresented by veterans were food processing, agriculture and the clothing industry;

n. Veterans tended to be self-employed in industries with the smallest firm sizes. Since military service teaches occupational skills rather than business skills, veterans would be more prone to select a business where occupation skills are more important than business skills.

4. CONCLUSIONS

An analysis of the data resulted in the formulation of the following conclusions:

a. Self-employment has not been an effective means of occupation for Vietnam or veterans of other wars. The rate of self-employment in the general population is low, but it is even lower for veterans. For the Vietnam period, the percentage of people who were self-employed was 8.9 percent for white male veterans and 13.9 percent for nonveterans. After controlling for factors such as years of work experience, education, and marital status, the probability of self-employment was estimated to be about 36 percent lower for white male veterans than for white male nonveterans. Similar results were obtained for veterans of other wars.

b. White males with graduate school education were the only group prone to entrepreneurship. Women tended not to become entrepreneurs whether veterans or not;

c. Vietnam veterans earned more income as employees than as business owners;

d. The most important income-determining "personal" characteristic which is different for Vietnam veterans is their lower amount of civilian job experience;

e. Self-employed veterans of Vietnam earned incomes that were on average (statistically about equal to the incomes of nonveterans of the same age);

f. Veterans work more hours and weeks than nonveterans; and

g. Veterans tend strongly to select jobs and businesses directly related to the jobs they held in the military.

This survey did not present any specific program recommendations.

E. VIETNAM-ERA VETERANS AND ENTREPRENEURSHIP

By: Veterans' Small Business Project, 1983-1984, Newtonville, MA

1. PURPOSE OF THE STUDY

a. General Statement

The survey examines the entrepreneurial aspirations and experiences of Vietnam-era veterans with a special emphasis on the disabled veteran.

b. Focus

The focus of the study was to research and disseminate information on the interests and needs of veterans, and any special or unique barriers that they face in their entrepreneurial quest. The major objectives were:

1) Determine the entrepreneurial aspirations of the Vietnam-era veterans;

2) Determine their perceptions of existing legal and financial institutions;

3) Determine what factors differentiate the successful Vietnam-era entrepreneur from the veteran who would like to start a small business but has not;

4) Isolate any important factors which may have been identified above;

5) Analyze the difference between successful and unsuccessful entrepreneurs;

6) Make recommendations which may help disabled/non-disabled Vietnam veterans overcome the factors identified above in the pursuit of self-employment.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

The study had two phases: Phase 1 was a pilot phase which enabled the contractor to test and refine sample development and data collection techniques in Massachusetts. Phase 2 was expanded into New York, Ohio and Texas. Both phases consisted of a questionnaire-based survey, supplemented by two in-depth interviews.

One set of interviews was conducted with selected veterans who were members of the questionnaire sample, the second set was comprised of institutional decision-makers including Congressional staff members and SBA staff.

b. Instrument

The questionnaire was constructed of fixed choice and open-ended questions; it was designed to be self-administered and asked questions about military background, interests and aspirations, business experience, and some other personal background information.

Sixty veterans also completed individualized interviews which lasted anywhere from 45-90 minutes; topics ranged from entrepreneurial type to minority status, disabilities and extent and nature of experience with public and private institutions. Interviews held with Congressional and SBA staff included questions about clients and constituents, their requests and complaints and perceptions of veteran needs.

c. Sample Population

The survey involved a sample of 472 respondents who were selected through a network of major national veterans' groups, and national, state and local Vietnam-era veteran organizations.

d. Statistical Techniques

Questionnaires were checked for completeness and accuracy. Efforts were made to reach respondents where gaps in collecting information were noted. The first phase of the data analysis was based on frequency distributions of the fixed and open-ended questions, and the various statistics associated with such data.

The second phase of data analysis examined the bivariate relationship between dependent and independent variables. Here, the study examined the relationships between key dependent variables (e.g., level of aspiration, entrepreneurial success, etc.) and independent variables (e.g., level of education, minority status, disability, etc.). In the bivariate analysis various technical correlation coefficients were used.

The third phase of the analysis called for the use of multivariate procedures in which three or more variables were taken into consideration. Typically, the focus was on assessing the impact of one variable or another while controlling for the effects of one or more additional variables.

3. MAJOR FINDINGS

Based on the analysis of the data, the major findings were grouped into five broad categories as follows:

a. Entrepreneurial Aspirations

The contractor estimated that between 700,000 and 1 million Vietnam-era veterans have a relatively strong interest in owning and operating a small business. Their major motivation was the challenge and the ability to be free from working for someone else.

b. Business Characteristics

Vietnam-era veterans are more likely to open a business in the retail or services sector. The vast majority have fewer than 20 employees (92%). About 75% of the entrepreneurs start new ventures rather than purchase an existing one. Disabled veterans are more likely to be in the retail sector and appeared to have a higher failure rate.

c. Perceptions of SBA and Private Sector

Disabled and minority veterans are more likely than other veterans to use SBA and private sector services. Veterans who use the financial, legal and accounting services of the private sector are more likely to describe their assistance as successful and helpful than those who used SBA. The general response was that SBA was not meeting the needs of the Vietnam veteran.

d. Factors Related to Success

The major factors which affect the likelihood of success in entrepreneurship are disability status, education and access to capital and credit. Veterans with a higher level of education and access to operating capital and/or credit were the most likely to succeed. (See below)

e. Disability and Entrepreneurship

Disabled veterans were less likely than other veterans to be successful in their business efforts. The VA system of evaluating and rating disabilities appears to be a disincentive for many veterans, especially the severely handicapped veteran. Disabled veterans are more likely to be self-employed on a part-time basis and to have fewer employees and lower revenues than the non-disabled entrepreneur. Veterans with lower educational resources and those with poor credit or little capital experienced more difficulty in starting and maintaining a small business.

RECOMMENDATIONS

a. SBA should make an effort to meet the financial and management needs of the smaller (under 20 employees) businesses. The contractor suggests designing a program for short-term revolving credit, and helping meet seasonal capital needs.

b. SBA should encourage the creation of a version of the Minority Enterprise Small Business Investment Corporation for Vietnam veterans as well as supporting such organizations as the Veterans Business Resource Councils.

c. SBA should appoint full-time, Vietnam-era Veteran Affairs Officers.

d. SBA should review the performance of the HAL-2 (Handicapped Assistance Loan) Program; determine if there are any distinct patterns of use by degree or type of disability; and consider modifying it so that the eligible businesses must be 100%-owned by handicapped individuals, or so that veterans with a VA rating of 30% or below will not be excluded.

e. The VA and SBA should work closely and share information that has been developed concerning disability, entrepreneurial aspirations and performance.

f. Consideration should be given to working with the VA on a six month trial/pilot basis by assigning a loan officer and SCORE representative to spend one day a week in selected VA veterans' centers around the country to encourage entrepreneurship.

g. SBA should propose to Congress that disabled veterans be defined as a group suffering from "social and economic disadvantage" in order that they may qualify for participation in the 8(a) Minority Business Development and Procurement Assistance, and 7(j) Management and Technical Assistance programs.

h. SBA must make a decision whether it will target the special needs of the Vietnam-era and/or disabled veterans. If the decision is not to target this group, for whatever reason, then the message veterans are receiving should be changed to diminish the negative image SBA has built up by failing to meet high expectations.

F. ANALYSIS OF VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE

By: Centaur Associates, 1984, Washington, D.C.

1. PURPOSE

a. General Statement

This study is an analysis of small business needs for management assistance. It covers the different types of assistance provided by SBA and non-SBA sources, such as counseling, training, and published materials perceptions of the effectiveness of the assistance, and their impact on the performance of veteran-owned or operated small businesses. The study is organized into five sections:

1) Introduction - Background on the problem, description of the data file, veteran population, managerent assistance available, perceptions, impact and conclusions;

2) Characteristics of veteran-owned small businesses - Descriptive statistics drawn from the survey;

3) Management assistance being provided to veterans - The types of assistance currently being provided, from both SBA and non-SBA resources;

4) Veterans' perceptions of the effectiveness of existing management assistance; its relevance, usefulness and applicability as viewed by veterans; and

5) Impact of management assistance provided to veterans based on business performance.

b. Focus

The information provided by this study is to be used by SBA to determine what management services the Agency should provide to veterans. The study presents two different hypotheses:

1) That THERE ARE NO significant differences between veteran and nonveteran firms that affect their respective needs for assistance, and

2) That THERE ARE significant differences and an implied need for specifically tailored programs.

The conclusions examine both hypotheses and give conclusions and recommendations for both cases.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

Survey packets were mailed to Small Business Development Centers (SBDC). These centers are university-operated business management programs, guided and partially funded by the Small Business Administration.

b. Instrument

The researchers did not provide great detail on the survey instrument. However, they did provide descriptive information on five broad areas of inquiry. The principal areas of inquiry studied:

1) Demographics - veteran status, sex, race and education;

2) Business Experience - type and form of business, age of business, prior business experience, managerial skills, and supervisory experience;

3) Management Assistance - types of assistance received, types and forms of recommendations received, reasons for not implementing recommendations, for both SBA and other sources of assistance;

4) Perceptions of Management Assistance - reactions to the assistance provided, including usefulness and relevancy of both SBA and non-SBA assistance;

5) Performance - information gathered from each firm on a variety of performance measures over time--full and part-time employees, sales, net profits, owner's compensation, short-term and long-term debt, and net equity.

c. Sample Population

The sample consists of 20,351 small businesses which were drawn from an analysis of Small Business Development Centers. The response rate was about 16.3%; of the 3,325 responses, 1,061 were veterans and 378 were Vietnam veterans. When adjustments were made in those responses that were ineligible or unreceived, the overall response rate was 18.8%.

d. Statistical Techniques

No complicated or complex statistical analysis or formulas were used by the researchers. Simple percentages and averages of responses were calculated and reported for each area of inquiry.

3. MAJOR FINDINGS

a. Characteristics of Veteran-owned businesses

1) The typical veteran recipient of SBA management assistance is: male, white, a college graduate, funded his own business, had never operated another business, and was a veteran of the period PRIOR to the Vietnam war.

2) The typical veteran-owned or operated business is in the services industry, on average had 9 full-time and 3 part-time employees, with $348,000 in sales and $30,000 in profits, was little more than 3 years old and organized as a corporation.

b. Management assistance provided to veterans

3) Between 50 and 60% of veterans and nonveterans received SBA counseling, training, and/or publications; only 20% requested and received research services. Assistance available also included technology transfer information, technical advice, libraries, and professional assistance assessing the business market.

4) Only 38% of the veterans were aware of non-SBA resources; only 22% had identified and used non-SBA assistance.

c. Veteran perceptions of the value of management assistance

5) Veterans whose businesses performed well had better perceptions of SBA assistance.

6) Both veteran and nonveterans who had used non-SBA resources rated non-SBA assistance as better than SBA assistance.

7) Overall, SBA products and services were rated "fairly effective" by all veteran and nonveteran groups.

d. Impact of Management Assistance Provided to Veterans

8) Veterans who received management counseling from SBA were more likely to increase employment, sales and profits than veterans who did not receive counseling.

9) Those who received multiple services, e.g., counseling and training, were more likely to increase performance than those who received a single type of service.

4. CONCLUSIONS AND RECOMMENDATIONS

The survey found that SBA clearly contributed to the positive performance of the small businesses that participated in the SBA management assistance program. However, the contractor was not able to draw any definite conclusions from the research. Therefore, the results yielded two sets of recommendations for SBA's Veteran program efforts.

HYPOTHESIS 1) That THERE ARE NO significant differences between veteran and nonveteran entrepreneurs that affect their assistance needs.

CONCLUSION: The differences found in the veteran and nonveteran groups were due to other underlying characteristics, e.g. age or education level.

RECOMMENDATION/POLICY OPTIONS:

- Develop a specific questionnaire to use with veterans to develop targeted assistance needs;
- Improve follow-up for veterans who have made use of SBA management assistance to determine if SBA recommendations had been implemented and if so, their impact and efficacy;
- Integrate SBA management assistance with SBA loan programs early on in the process; and
- Provide better, more complete "packaging" of SBA financial and management assistance services for veterans.

HYPOTHESIS 2) That THERE ARE significant differences between veteran and nonveteran entrepreneurs that affect their assistance needs.

CONCLUSION: The needs of veterans and nonveterans are different, and there is a need for management assistance programs tailored for veterans. The study suggests that veterans need management assistance programs that stress skills in financial management and accounting, marketing research and general management.

RECOMMENDATIONS/POLICY OPTIONS (in addition to those above:)

- Establish annual goals for increasing veteran involvement in current SBA programs, and setting up a veteran outreach program.
- Conduct an ongoing assessment of veterans' business skills and how best to supplement them. And,
- Allocate a greater proportion of VAO time to veteran-specific concerns.

To enhance the efforts of the Office of Veteran Affairs to support veteran-owned businesses, the report specifically recommended that SBA:

a. Conduct a follow-up survey of the sample to determine the longer term impact of SBA assistance, what services are still required, who should provide them, and the impact of Veteran Business Seminars and Veterans Business Resource Councils;

b. Conduct a survey or interviews with a wider audience of current and prospective veteran small business owners to determine what they know of SBA, how they learned of SBA, and what specific services would be of use to them; and

c. Survey members of the business community to determine how they perceive veterans, on what these perceptions are based, if they affect veterans' abilities or opportunities to start and operate a business, and how SBA may help counter any negative perceptions.

G. VIABLE LOAN CATEGORIES FOR VETERANS

By: Joel Popkin & Co., 1985, Washington, D.C.

1. PURPOSE

a. General Statement

The purpose of the study was to collect scientifically drawn sample data from SBA direct and guaranteed loan files for the period of 1975-79. Information was then analyzed to determine what variables most influence the outcome of SBA loans repayment.

b. Focus

The focus of the research was to determine which types of businesses and loans have the best SBA loan repayment history. The hypothesis was that this information would help SBA and entrepreneurs in selecting and matching the types of business and financing most likely to lead to repayment success.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

The survey was designed to control for the variables most likely to determine the success of an SBA loan. Most of the variables fell into one of three categories:

1) Variables external to the borrower, particularly economic growth of the area and industry, as well as the state of the national economy;

2) Variables reflecting current and prospective financial measures such as income and size or type of firm; and

3) Variables measuring characteristics of the entrepreneurs, such as experience, education, etc.

An initial data collection form was used to transcribe data from actual loan files in the SBA's Washington, D.C. District Office. Because of the wide variance found in the availablity of the pieces of data being sought, the form was then revised. Using the revised form, data were collected from each sampled loan file in the Miami, Jacksonville, Dallas, Chicago, Detroit, New York City, and Melville, Long Island SBA district offices. Data were collected from documents such as the original loan application, SBA approval forms, authorization documents, and miscellaneous legal documents.

b. Instrument

The Survey Form consists of two sections: Part A - Data from the Office of Computer Services (OCS File), and Part B - Data from File Folder. Surveyors collected and transcribed data from loan files in district offices for later analysis.

c. Sample Population

The sample was taken from the SBA universe of direct and guaranteed loan files from the period 1975-1979. Differences in growth by area and industry were taken into account through stratification.

Three industries were selected as the focus of the study; restaurants, auto repair, and a conglomerate, "high-tech" industry. The first two reflected average rate growth industries and the last a rapid growth industry. Four states were then selected, Florida and Texas, in which economic growth was very high, and New York and Illinois in which it was very low. Once the states were selected, data was collected from selected district offices. The final sample consisted of 724 guaranteed loans and 290 direct loans made to veterans.

d. Statistical Techniques

The main objective of this project was to determine the proportions of SBA loans, direct and guaranteed, that were in good standing and those that were not, then to determine the reasons for the results. Regression analysis was used by the researchers to analyze pre-established variables. The intent of this statistical technique was to measure how the variables jointly impacted on loan performance. The dependent variable was a one-zero dummy where value was set equal to one if the loans fell into the successful category, zero otherwise.

3. ANALYSIS AND MAJOR FINDINGS

To facilitate analysis of the data, the surveyors combined the two strong economic growth states Florida and Texas into one area called "South," and the low growth states New York and Illinois into one region called "North." They also combined auto and restaurant industries because they were both service industries supporting local economies, leaving high-tech industries as the second industrial category.

Based on this dichotomous status classification, the major findings in the study were:

a. Guaranteed and Direct Loans Patterns-

1) Seventy-six percent of guaranteed loans are in the successfully repaid category as compared with 46 percent of the direct loans;

2) Success in repaying guaranteed loans depends on the economic growth rate of the industry that the business is in; and

3) For guaranteed loans, both regions combined, more "high-tech" loans were successful than auto repair and restaurants.

b. Major Variables in Determining Loan Performance-

1) Success depends on the economic growth rate of the geographical region in which the business is located.

- Eighty percent of guaranteed loans made in the South were successful, compared with 72% in the North.
- Fifty-six percent of direct loans were successful in the South vs. 37% in the North.

2) Success in repaying guaranteed and direct loans is affected positively by whether the business is a franchise.

- For guaranteed (82%) and direct (69%) loan borrowers, the margin of success was much higher for franchised businesses.

3) Owners with more years of previous experience were more likely to be successful loan repayers.

- Owners of businesses with successful loans had somewhat more previous experience than owners of businesses with unsuccessful ones.

4. CONCLUSIONS AND RECOMMENDATIONS

a. Guaranteed loans perform better than direct loans.

b. The five major variables in determining loan performance are: type of loan, industry, regional growth, franchise status, and previous experience of the owners.

c. Survey data should be used more frequently by SBA to develop guidelines to improve loan application forms and insure that loan files contain consistent and necessary sets of information.

H. INFORMAL RISK CAPITAL IN THE SUNBELT REGION

By: Applied Economics Group, Inc., 1986, Knoxville, TN

1. PURPOSE OF THE STUDY

A. General Statement

This survey examines how and where small veteran and non-veteran firms obtain informal equity capital for start-up and growth activities in SBA Regions III, IV and VI.* The report profiles investors and entrepreneurs who provide equity capital to new or growing small firms and who make the investments directly, rather than through intermediaries such as venture capital firms, public stock markets or other institutional investors.

B. Focus

Informal capital can be a decisive factor to new or fast-growing firms. It is crucial that veteran and nonveteran businesses be able to identify and contact such resources. Informal investors are characterized in this report, and to a lesser extent, the informal risk capital market is analyzed. Information and findings are presented which discussed:

1) The amount and nature of past risk capital investments in "risk venture firms;"

---

* Region III = DC, DE, MD, PA, VA, AND WVA.
Region IV = AL, FL, GA, KY, MS, NC, SC, AND TN.
Region VI = AR, LA, NW, OK, AND TX.

2) Personal investment objectives of informal investors for future risk capital investments;

3) Investors' views of risk and their requirements for return on investments in new and growing firms;

4) How effective existing channels of communications are between investors and investment opportunities; and

5) How much interest investors might have in broadening the range of real investment opportunities available to them.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

The survey was conducted in two steps: Investors were 1) identified through a probability sample of enterprises in the region, and then 2) each of the investors who returned their names and addresses received a questionnaire and up to four follow-up letters if they did not respond by a specified date. Surveyors used introductory brochures, the questionnaire and the letters to solicit participants. A one-page follow-up survey form requesting basic information was also sent to investors who participated.

b. Instrument

A 46-item questionnaire was designed to obtain information from investors regarding: personal background, recent investment history, near future investment plans, rate-of-return objectives, and sources of investment information. In analyzing data, the contractor emphasized differences in the characteristics and choices of informal investors based on:

1) Veteran ownership status
2) Size of firms most often invested in, and
3) SBA region in which investors reside.

c. Sample Population

The study's empirical data are based on the answers of 158 informal investors in SBA Regions III, IV, and VI. The sample was drawn with a two-step indirect identification and survey procedure. A probability sample, stratified by firm size and region, of 100,000 firms from the 1984 Dun's Market Identifier file first was drawn.

Surveyors sent each firm a Solicitation Brochure which explained the study and requested contact with informal investors. Investors so identified were asked to return the business reply form if they were willing to participate.

Based on the overall survey results and non-response bias check, it was estimated that 6,500 of the 100,000 firms in the original sample had informal investors. The researchers received responses from investors associated with 158 (or 2.4%) of those firms.

d. Statistical Techniques

Each investor who returned his/her name and address, received a questionnaire and a maximum of four follow-up letters if there was no response by a specific date. A one-page follow-up questionnaire was used for basic information gathering (such as number of employees, growth stage, whether the firm was technology-based, and ownership) describing the firms through which investors were identified.

1) Survey Response

Because it was important to be able to post-stratify by firm size, respondents were asked to answer brief follow-up questions, identifying the "typical" size of the firms in which they invested.

2) Non-Response Bias Survey

Two types of non-response bias surveys were also conducted. In the first, a random sample of 100 businesses were contacted that did not return the solicitation brochures. A telephone interview was used to determine whether the firm was still in business and if it had more than one informal investor. Results showed that only 6.5% of the firms had any informal investors. Refinement in statistical calculations yielded a final estimate of 4.7% of the firms in the three-region survey had one or more informal investors.

A second non-response survey employed a random sample of 4,000 businesses whose solicitation brochures had not been returned. They received a second brochure mailing, but the responses were nil.

3. ANALYSIS AND MAJOR FINDINGS

Numerous findings were gained from this study on Informal Risk Capital in the Sunbelt Region. The most important findings were combined to form a profile of the informal investor and his investment strategy.

Investors:

a. Are typically 49-years old, white, male, veterans with a college degree in business or engineering, and a family income of $70,000, and a net worth of $750,000;

b. Have made two informal investments totaling $75,000 within 3 years of the study;

c. Invest a median amount of $37,500 per investment;

d. Double their actual equity investment with large loans and loan guarantees for each business they invest in;

e. Are most likely to invest in start-up firms (57.6%) but tend to delay their invesments (25.4%) in veteran-owned firms until such firms are well established;

f. Favor all categories in manufacturing, finance, insurance, real estate, and services;

g. Require a minimum of 20% annual return from risk capital investments from all categories;

h. Invest close to home: the majority of investors invest within 50 miles of home or office, investors in veteran-owned firms within 10 miles; most firms were small and had more than one investor;

i. Find investment results meet or exceed all expectations;

j. Use friends and business associates as most frequent and reliable sources for investment information in all categories; and

k. Reject investment opportunities because of lack of personal knowledge of firms or key personnel in all categories.

4. CONCLUSIONS AND RECOMMENDATIONS

a. Informal investment is a major and important source of funding for the small start-up firm. The estimated magnitude of the three-region market is $6.4 billion annually; ten times larger than investments made in the regions by the venture capital industry.

b. There are virtually no differences between investors who have and have not invested in veteran-owned firms.

c. There is no shortage of informal capital funds. Investors would have invested 83% more if the opportunity had been there.

d. The average investor had seven investment opportunities in the past three years, seriously considered three of them and invested in two. The major reasons for rejection were inadequate personal knowledge of the firm or its principals, limited growth potential, overpricing, and limited management expertise.

e. There is a need to improve communication channels for investors to learn more about existing and potential investment opportunities.

f. Informal investor behavior is likely to remain stable over the near future, with some potential for harder bargaining over the amounts invested and the degree of investor voting control.

As a consequence of this study, it would clearly be recommended that veteran-owned businesses should direct more of their corporate development efforts to identifying, attracting and involving informal investors who have a ready supply of capital and willingness to invest in their businesses. Also, SBA should seriously consider designing programs to help veteran business owners identify such sources of informal capital, to approach them successfully and to negotiate effectively with them.

I. A STUDY OF DEPARTMENT OF DEFENSE PROCUREMENT FROM VETERANS

By: KCA Research, Inc., 1985, Alexandria, VA

1. PURPOSE OF THE STUDY

a. General Statement

This study was to determine the extent of contracting by the Department of Defense (DOD) to small businesses owned and operated by veterans of the U.S. Armed Forces and to compare the performance of veteran and nonveteran firms during the period from 1981-1982.

b. Focus

Specifically the survey focused on contracting by DOD because of the large amount of contracting they engage in. It was hypothesized that veteran-owned firms would be successful in obtaining DOD contracts because of the owner's military experience.

c. Phases and Objectives

The study was divided into two phases. The first phase was designed to identify the veteran status of the sample population and the type of procurement award obtained by veterans. The second was a survey of contracting offices to evaluate the quality of veteran vs. nonveteran performance. The specific objectives of the survey activities were to:

1) Determine the extent of military contracting with veteran-owned small businesses, with a separate record of Vietnam veterans;

2) Determine the relationship, if any, between the type of military service of the veteran-vendor, and the type of procurement award obtained by the firm; and

3) If feasible, estimate the relative value or efficacy of the products and services obtained from the veteran-owned business compared to those available from nonveteran firms.

2. SURVEY DESIGN AND METHODOLOGY

a. Survey Design/Data Collection Procedures

The first two objectives were met through a telephone survey of small businesses awarded contracts by DOD during the survey period. Information on firms and owners, including veteran status of owner(s), was obtained from 915 firms (73% response rate).

The third objective was met through a mail survey of contracting offices which handled DOD contracts for small businesses during the survey period; ratings of the quality of work done or received were obtained from them. A random sample was selected consisting of pairs of contracts awarded to veteran and nonveteran-owned firms. Of the 200 pairs of contracts considered, 89 of the pairs gave completed interviews.

b. Instruments

The first phase of the survey involved a series of letters and telephone calls. Surveyors mailed out a letter of introduction to selected firms, then they made an initial call to set up the telephone survey. The 19-item survey consisted of questions about the firm, number of employees, products, dollar receipts, etc., followed by questions about the owner.

In the second phase, the contractor mailed materials to the contracting offices, a one-page, seven-item survey was included. It was described as a study of the "relative value or efficacy of products or services provided by small businesses." It confirmed the status of the contract, that it had been delivered on time and was satisfactory.

c. Sample Population

The sample for the study was drawn from the master file of Individual Contract Action Reports for Fiscal Years 1981/82. After separation into individual contractors and the culling out of larger businesses, 1,043,228 contract actions were reduced to 176,202 actual small business awards. From these, a sample population of 1,600 firms was selected.

The sample population was stratified to define the type of product or services provided and the size of contracts. While most of the units sampled fell into the category of "EQUIPMENT AND SUPPLIES," for the second phase an equal number was selected from the "OTHER" category so the survey would be of matched pairs. (See Chart B)

CHART B - DEPARTMENT OF DEFENSE CONTRACTS SAMPLED BY SURVEY

NUMBER OF CONTRACTS SAMPLED BY STRATA

	PRODUCT OR SERVICE		
Size of Contract	Equipment & Supplies	Other	Total
$ 10,000 - $ 25,000	200	200	400
25,000 - 100,000	200	200	400
100,000 - 500,000	200	200	400
More than $500,000	200	200	400
TOTAL NUMBER OF FIRMS CONTACTED IN EACH CATEGORY	800	800	1,600

NUMBER OF INTERVIEWS COMPLETED

	PRODUCT OR SERVICE		
Size of Contract	Equipment & Supplies	Other	Total
$ 10,000 - $ 25,000	119	100	219
25,000 - 100,000	125	112	237
100,000 - 500,000	116	119	235
More than $500,000	118	106	224
TOTAL # OF FIRMS SURVEYED IN EACH CATEGORY	478	437	915
TOTAL # OF PAIRED VET/NON-VET. FIRMS SURVEYED IN EACH CATEGORY	41	48	89

d. Statistical Techniques

Simple percentages and numbers were calculated to determine the degree or amount of contracts awarded to veteran-owned firms by stratum. Similar information was calculated for the type and dollar size of procurement contracts obtained by veteran-owned firms in comparison to contractors in general.

3. MAJOR FINDINGS

a. Amount of DOD contracting with veteran and nonveteran small businesses:

1) 42.8 percent of all contracts were awarded to firms which were 50 percent owned and operated by one or more veterans or surviving spouses.

2) 35.3 percent of the funds contracted to small businesses by DOD went to veteran-owned firms, a total of $11.5 billion.

b. Characteristics of contracting firms and owners:

1) The majority of the veterans had served in the Army; an overwhelming number were white and male. There seems to be a 20-year gap between time of military service and becoming an owner in a firm.

2) The vast majority of type-of-ownership of the veteran contracting firms were corporations; most of the firms had been in business for 30 years or more prior to award and had 26-50 employees.

3) Most veterans served only a short time, served in lower grades, were heavily weighted toward management/technical specialties, and completed college after military service.

c. Relative value or efficacy of products and services obtained from veteran and nonveteran owned businesses:

1) Statistical tests clearly indicate no differences in levels of performance by veteran and nonveteran-owned firms.

2) Almost all products or services were provided in a timely manner. Government-contractor communications were judged good and cost levels acceptable.

4. CONCLUSIONS

Two important conclusions became quite apparent:

a. There is basically no difference in the degree to which veteran firms were awarded contracts by size of contract, type of product or service; and

b. There is virtually no difference between work performed by veteran-owned firms and that performed by nonveteran-owned firms.

This survey did not have any recommendations.

VETERANS AND ENTREPRENEURSHIP

A RESEARCH DIGEST

APPENDICES

APPENDIX A

DIGEST MATRICES

VETERANS AND ENTREPRENEURSHIP MATRIX

Population Key:

1 — NON VETERANS
2 — ALL VETERANS COMBINED
3 — WORLD WAR II VETERANS
4 — KOREAN WAR VETERANS
5 — VIETNAM WAR VETERANS

DEMOGRAPHIC INFORMATION	ENTREPRENEURIAL CHOICE & SUCCESS	PROFILING ENTREPRENEURIAL VETERANS	DIFFERENCES BETWEEN VETERAN & NON-VETERANS BUSINESSES	FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VETERANS	VIETNAM-ERA VETERANS & ENTREPRENEURSHIP	VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE	VIABLE LOAN CATEGORIES FOR VETERANS	INFORMAL RISK CAPITAL IN THE SUNBELT REGION (INVESTORS ONLY)	A STUDY OF DOD PROCUREMENT FROM VETERANS
Period from which the data were derived.	1980	1983	1982-83	1979	1983-84	Unstated	1975-79	1985	1981-82
Service periods of veterans discussed?	1,2	3,4,5	2,5	2,3,4,5	5	2,5	2	2	2
Sex	1,2	1,3,4,5		1,2,3,4,5	5	1,2,5	2	1,2	1,2
Age	1,2	1,3,4,5		1,2,3,4,5	5	1,2,5	2	1,2	1,2
Education	1,2	1,3,4,5		1,2,3,4,5	5	1,2,5	2	1,2	1,2
Business degree received?		1,3,4,5							
Race	1,2	1,3,4,5		1,2,3,4,5	5	1,2,5		1,2	1,2
Minority or other ethnic consideration?	1,2								
Regional status, urban vs rural location of business considered?	1,2			1,2,3,4,5	5		2		
Marital status or family size discussed?		1,3,4,5		1,2,3,4,5	5				
Branch of the service veteran served is discussed?		3,4,5			5				2
Rank at separation discussed?		3,4,5			5				2
Length of service discussed?					5				2
Military training discussed?			2,5	2,3,4,5					2
Handicapped or disabled discussed?				2,3,4,5	5				
Size of sample used in the research?			File A = 9,095 File B = 4,542		472	3,325	1,014	158	915

VETERANS AND ENTREPRENEURSHIP MATRIX (Continued)

Population Key: 1 — NON VETERANS 2 — ALL VETERANS COMBINED 3 — WORLD WAR II VETERANS 4 — KOREAN WAR VETERANS 5 — VIETNAM WAR VETERANS	ENTREPRENEURIAL CHOICE & SUCCESS	PROFILING ENTREPRENEURIAL VETERANS	DIFFERENCES BETWEEN VETERAN & NON-VETERANS BUSINESSES	FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VETERANS	VIETNAM-ERA VETERANS & ENTREPRENEURSHIP	VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE	VIABLE LOAN CATEGORIES FOR VETERANS	INFORMAL RISK CAPITAL IN THE SUNBELT REGION (INVESTORS ONLY)	A STUDY OF DOD PROCUREMENT FROM VETERANS
ENTREPRENEURIAL CHOICE									
Theories of Entrepreneurship	YES	YES			YES	YES		YES	
Bibliography	YES	YES			YES				
Process of Entrepreneur Choice	1,2	1,3,4,5		1,2,3,4,5	5				
Characteristics of the Entrepreneur	1,2			1,2,3,4,5	5			1,2	1,2
Earning or Salary Levels	1,2			1,2,3,4,5	5			1,2	
Veterans' Organizations					YES	YES			
Financial Resources Investments					5	1,2,5		1,2	
Direct & Indirect Loans					5	1,2,5	ALL*	1,2	
Pensions	2								
Technical Assistance					5	1,2,5		1,2	
Full vs Part-time Commitment	1,2			1,2,3,4,5	5				
Successful vs Unsuccessful Entrepreneurs					5				

VETERANS AND ENTREPRENEURSHIP MATRIX (Continued)

Population Key: 1 — NON VETERANS 2 — ALL VETERANS COMBINED 3 — WORLD WAR II VETERANS 4 — KOREAN WAR VETERANS 5 — VIETNAM WAR VETERANS	ENTREPRENEURIAL CHOICE & SUCCESS	PROFILING ENTREPRENEURIAL VETERANS	DIFFERENCES BETWEEN VETERAN & NON-VETERANS BUSINESSES	FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VETERANS	VIETNAM-ERA VETERANS & ENTREPRENEURSHIP	VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE	VIABLE LOAN CATEGORIES FOR VETERANS	INFORMAL RISK CAPITAL IN THE SUNBELT REGION (INVESTORS ONLY)	A STUDY OF DOD PROCUREMENT FROM VETERANS
EMPLOYMENT PATTERNS									
TYPES OF INDUSTRY OR EMPLOYMENT BUSINESS IS IN:									
Construction		1,3,4,5		1,2,3,4,5	5				
Manufacturing		1,3,4,5		1,2,3,4,5	5				
Agriculture, Forestry, Fishing				1,2,3,4,5	5				
Mining		1,3,4,5		1,2,3,4,5	5				
Wholesale		1,3,4,5		1,2,3,4,5	5				
Retail	1,2	1,3,4,5		1,2,3,4,5	5				
Crafts	1,2				5				2
Transportation/Communications		1,3,4,5		1,2,3,4,5 1,2,3,4,5	5 5				2 2
Professions	1,2								
Management	1,2								
Clerical	1,2								2
Services	1,2	1,3,4,5		1,2,3,4,5	5				2
Machine Operation		1,2							
Finance/Insurance/Real Estate (Combined Category)		1,3,4,5		1,2,3,4,5	5				2
Discussion of prior experience as an entrepreneur?	1,2	1,3,4,5			5	1,2,5	General	1,2	
Discussion of prior, type of, interest in or involvement in business creation?		1,3,4,5			5		General	1,2	
Discussion of supervisory/management skills and experience?						1,2,5	General	1,2	
Discussion of business skills and experience?						1,2,5	General	1,2	

VETERANS AND ENTREPRENEURSHIP MATRIX (Continued)

Population Key:

1 — NON VETERANS
2 — ALL VETERANS COMBINED
3 — WORLD WAR II VETERANS
4 — KOREAN WAR VETERANS
5 — VIETNAM WAR VETERANS

BUSINESS CHARACTERISTICS	ENTREPRENEURIAL CHOICE & SUCCESS	PROFILING ENTREPRENEURIAL VETERANS	DIFFERENCES BETWEEN VETERAN & NON-VETERANS BUSINESSES	FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VETERANS	VIETNAM-ERA VETERANS & ENTREPRENEURSHIP	VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE	VIABLE LOAN CATEGORIES FOR VETERANS	INFORMAL RISK CAPITAL IN THE SUNBELT REGION (INVESTORS ONLY)	A STUDY OF DOD PROCUREMENT FROM VETERANS
TYPES OF INDUSTRY BUSINESS STARTED IN:									
Construction			1,2,5		5	1,2,5	*	1,2	
Manufacturing			1,2,5		5	1,2,5	*	1,2	
Agriculture, Forestry, Fishing			1,2,5		5	1,2,5	*	1,2	
Mining			1,2,5		5		*		
Wholesale			1,2,5		5	1,2,5	*	1,2	
Retail			1,2,5		5	1,2,5	*	1,2	
Crafts					5		*		
Transportation/Communications					5	1,2,5	*	1,2	
Professions					5		*		
Management					5		*		
Clerical					5		*		
Services			1,2,5		5	1,2,5	*	1,2	
Machine Operation							*		
Finance/Insurance/Real Estate (Combined Category)							*		
Discussion of how the type of business was chosen?		1,3,4,5		1,2,3,4,5			*	1,2	
Type of business arrangement described?		1			5	1,2,5	YES	1,2	1,2
Size of firm discussed by amount of sales?			1,2,5			1,2,5			1,2
Discussion of number of employees?		1,3,4,5		1,2,3,4,5	5	1,2,5		1,2	1,2

*Firms were selected in three categories: High Technology, Restaurants, and Automobile Repair.

VETERANS AND ENTREPRENEURSHIP MATRIX (Continued)

Population Key: 1 — NON VETERANS 2 — ALL VETERANS COMBINED 3 — WORLD WAR II VETERANS 4 — KOREAN WAR VETERANS 5 — VIETNAM WAR VETERANS	ENTREPRENEURIAL CHOICE & SUCCESS	PROFILING ENTREPRENEURIAL VETERANS	DIFFERENCES BETWEEN VETERAN & NON-VETERANS BUSINESSES	FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VETERANS	VIETNAM-ERA VETERANS & ENTREPRENEURSHIP	VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE	VIABLE LOAN CATEGORIES FOR VETERANS	INFORMAL RISK CAPITAL IN THE SUNBELT REGION (INVESTORS ONLY)	A STUDY OF DOD PROCUREMENT FROM VETERANS
GENERAL FINANCIAL AND ECONOMIC CONSIDERATIONS									
Discussion of external economic conditions?			1,2,5				YES		
Discussion of types of loans or other financial assistance?							YES	1,2	
Specific industry conditions described?			1,2,5		5		YES		
Franchising opportunities described?							YES		
Financial or economic conditions discussed which helped determine how the entripreneur started in business?				1,2,3,4,5					
Discussion of government contracting opportunities?									1,2
Discussion on formal and informal risk capital availability?								1,2	
Investors profiled?								1,2	
Frequency and amounts or types of investments discussed?								1,2	
Age of business vs other conditions discussed?			1,2,5		5			1,2	1,2
Evaluation of services or products?									1,2

VETERANS AND ENTREPRENEURSHIP MATRIX (Continued)

Population Key: 1 — NON VETERANS 2 — ALL VETERANS COMBINED 3 — WORLD WAR II VETERANS 4 — KOREAN WAR VETERANS 5 — VIETNAM WAR VETERANS	ENTREPRENEURIAL CHOICE & SUCCESS	PROFILING ENTREPRENEURIAL VETERANS	DIFFERENCES BETWEEN VETERAN & NON-VETERANS BUSINESSES	FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VETERANS	VIETNAM-ERA VETERANS & ENTREPRENEURSHIP	VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE	VIABLE LOAN CATEGORIES FOR VETERANS	INFORMAL RISK CAPITAL IN THE SUNBELT REGION (INVESTORS ONLY)	A STUDY OF DOD PROCUREMENT FROM VETERANS
EXPERIENCE WITH SBA AND OTHER PUBLIC AND PRIVATE ASSISTANCE									
Discussion of SBA assistance and experiences?		1,3,4,5		5	1,2,5				
Satisfaction with SBA assistance? (Perceptions of Value)					5	1,2,5			
Recommendations for Small Business Administration programs?	YES		YES		YES	YES			
Did the research include input from SBA or other SBA participation?					YES	YES			
Did the research include involvement with any other agencies?					5	YES	1,2		
Discussion of experiences with any financial institutions?					5	1,2,5	1,2		
Was the entrepreneur's firm measured before, during or after receiving assistance?						1,2,5			
What type of assistance was received by the firm from SBA?									
Counseling					5	1,2,5			
Training					5	1,2,5			
Information, technical assistance, publications or other materials					5	1,2,5			
Funding						Total file			

APPENDIX B

RECOMMENDATIONS

APPENDIX B

VETERANS AND ENTREPRENEURSHIP

A LISTING OF PRINCIPAL RECOMMENDATIONS

ENTREPRENEURIAL CHOICE AND SUCCESS: CERA Economic Consultants

- More information is needed on previous work experience and other topics which would help gain a better understanding of the impact of individual "human capital" on entrepreneurial choice and success.

- Further research should be devoted to collecting and analyzing more comprehensive longitudinal data--data that track an individual over time--on people who operate their own businesses and people who work for someone else.

PROFILING ENTREPRENEURIAL VETERANS: Mid-Atlantic Research, Inc.

- SBA needs to sponsor awareness programs which explain all its programs, both financial and management assistance.

- SBA needs to sponsor awareness programs in the small business community, with veterans organizations, and for members of the armed services approaching separation or retirement.

- SBA could help entrepreneurial veterans by identifying other public and private resources for veterans and providing guidance in gaining access to them.

- SBA should train its field office staff in assisting veterans, encourage prompt and consistent response to inquiries and streamline operations offering "one-stop shopping", especially for the disabled/handicapped veteran.

- SBA should, whenever possible, reduce the number of visits or layers of bureaucracy an entrepreneur needs to go through to get definitive answers or judgments.

- SBA and veterans organizations should complement each other in more effective partnership to develop and implement veteran programs.

- SBA should develop and make widely available courses on small business management including: funding, operation, developing business plans, developing tax and insurance plans, doing cash flow analysis, using PERT charts, designing marketing plans, and exploring materiels and inventory management.

- All SBA courses should be professional, intensive, include hands-on experience, and could be offered through the assistance of SCORE or other successful volunteers. SBA and business schools or trade schools should consider working together to conduct training, perhaps through the Small Business Development Center program.

- SBA should involve veterans in helping veterans whenever possible, especially in the early stages of a training sequence.

- SBA should sponsor support and networking opportunities for veteran entrepreneurs which would help veterans meet, develop contacts, share experiences and ideas and stimulate the development of on-going local and regional support groups.

- Programs like the Veteran Business Resource Councils should be encouraged to provide assistance to veteran business owners. Programs in which small businesses share common support resources may warrant expansion.

- SBA should assist veterans in completing loan applications and applying the applicable criteria to experience gained and time spent in the service.

- SBA should work with other Federal agencies to monitor the involvement of veteran-owned firms in Federal procurement programs. This would provide information on promising opportunities for veterans and point out problems which should be addressed in SBA assistance programs.

DIFFERENCES BETWEEN VETERAN AND NON-VETERAN BUSINESSES: Inductive Inference, Inc.

- SBA should sponsor further research to determine the reasons for and implications of differences between the distributions over industries of Vietnam veteran-owned businesses, veteran-owned businesses and other businesses in general.
- SBA should develop programs to address the management problems faced by young, under capitalized companies.

FINANCIAL SUCCESS AND BUSINESS OWNERSHIP: Steven Lustgarten & Associates

- SBA should sponsor further research to more rigorously determine the validity of the hypotheses or theories of the study.

VIETNAM-ERA VETERANS AND ENTREPRENEURSHIP: Veterans' Small Business Project

- SBA should make a basic policy decision whether or not to target Vietnam-era veterans with special needs as a priority group for service.
- If SBA decides to give Vietnam-era veterans special services, it must provide more resources to meet the demand.
- If SBA decides against giving Vietnam-era veterans special services, it should re-evaluate its current policy and program of special consideration to all veterans. The current dichotomy in the message is that the consideration is merited but there are insufficient resources. This being the case, the result is that the Vietnam-era veteran is developing a somewhat negative image of the Agency because of unfulfilled expectations.
- The VA should allow entrepreneurs to discover whether or not they can succeed in a small business, then phase benefits out rather than cut them immediately. The impact of the VA rating system on the entrepreneurial initiative of disabled veterans should be minimized.

- Veteran-related information should be shared with the VA and discussions held about possible joint programs.

- Review the performance of the HAL-2 (Handicapped Assistance Loan) program, determine if there are distinct patterns of use by degree and type of disability. Consider modifying for veterans the requirements that businesses be 100% owned by handicapped individuals to encourage investors.

- Familiarize HAL-2 administrators with the nature of Post-Traumatic Stress Disorder (PTSD) and the problems it can generate.

- Increase efforts to advertise the HAL-2 program especially through veterans organizations.

- Explore with the VA the possibility of providing the services of a loan officer and SCORE representative on a trial basis in selected VA Vet Centers around the country.

- Propose to the Congress that disabled veterans be defined as a group suffering from "social and economic disadvantage" so they can qualify for the 8(a) Minority Business Development and Procurement Assistance Program, the 7(j) Management and Technical Assistance Program, and other programs limited to persons or businesses so defined.

ANALYSIS OF VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE: Centaur Associates

- SBA should develop a specific survey instrument for VAOs to use to determine the strengths, weaknesses and management assistance needs of veterans. It should then use this information to design new projects and program thrusts.

- Develop instructional guides for SBA financial and management assistance services for veterans.

- Develop "packaging" of SBA financial and management assistance services for veterans. Integrate the SBA management assistance program with SBA loan programs.

- Evaluate SBA's management assistance to veterans to determine if recommendations have been implemented and their impact and efficacy. Identify what specific services were useful and what was lacking; develop programs to meet these needs.

- Establish annual goals for increasing veteran involvement in current SBA programs, setting up more extensive outreach programs.

- Conduct a survey to determine what the business community's perceptions of veterans and veteran entrepreneurs, whether these perceptions affect veterans' ability to start and operate a business, and what strategies SBA might use to counter negative perceptions of veterans and SBA.

VIABLE LOAN CATEGORIES FOR VETERANS: Joel Popkin & Company

- Survey data should be used by SBA to develop guidelines to improve loan application forms and insure that loan files contain consistent and necessary sets of information.

INFORMAL RISK CAPITAL IN THE SUNBELT REGION: Applied Economics Group

- Survey suggests that veteran-owned businesses should direct more of their corporate development efforts to find informal investors who have a ready supply of capital and willingness to invest in both start-up and established businesses.

- SBA should develop programs to assist veterans in identifying and negotiating with informal capital investors.

A STUDY OF DOD PROCUREMENT FROM VETERANS: KCA Research

- No recommendations

APPENDIX C

BIBLIOGRAPHY

BIBLIOGRAPHY

A. ENTREPRENEURIAL CHOICE AND SUCCESS

By: Cera Economic Consultants, 1985
Old Greenwich, Connecticut

Baumol, William A. "Entrepreneurship in Economic Theory." American Economic Review, May, 1968, pp. 63-69.

Collina, D.F., Moore, D.G., and Unvala, D.B. The Enterprise Man. East Lansing, Michigan: Michigan State University Press, 1964.

Copulsky, William and McNulty, Herbert. Entrepreneurship and the Corporation. New York: Amacom, 1974.

Coslett, Stephen. "Efficient Estimation of Discrete-Choice Models" in McFadden, Daniel and Manski, Charles eds., Structural Analysis of Discrete Data with Econometric Applications. Cambridge: MIT Press, 1981, pp. 51-110.

Dahmen, Erik. Entrepreneurial Activity and the Development of Swedish Industry. Axel Leijonhufvud, trans. Homewood, IL: Irwin, Richard D., 1970.

Douglas, Merril E. "Relationship of Education to Entrepreneurial Success", Business Horizons. December, 1976, pp. 40-44.

Evans, David S. "Tests of Alternative Theories of Industry Evolution", fourth draft. February, 1985.

Fischer, Stanley and Dornbusch, Rudiger. Economics. New York: McGraw Hill, 1983.

Fredland, John and Little, Roger. "Long-Term Returns to Vocational Training: Evidence from Military Sources", Journal of Human Resources. February, 1979, pp. 49-66.

Fuchs, Victor. "Self-Employment and Labor Force Participation of Older Males", Journal of Human Resources. September, 1982, pp. 339-357.

Ghent, Maynard Jocelyn and Jaher, Frederic Cople. "The Chicago Business Elite: 1830-1930," Business History Review. Autumn, 1976, pp. 288-328.

Goldberger, Arthur S. Econometric Theory. New York: Wiley, 1964.

Heckman, James. "The Common Structure of Statistical Models of Truncation, Sample Selection and Limited Dependent Variables", Annals of Economic and Social Measurement. December, 1976.

____. "Sample Selection Bias as a Specification Error", Econometrica. February, 1979, pp. 153-161.

____. "Labor Economics," in Handbook of Econometrics. Amsterdam: North Holland, 1984.

Kanbur, S. "Of Risk Taking and the Personal Distribution of Income", Journal of Political Economy, Vol. 87, No. 4. October, 1979, pp. 769-797.

Kihlstrom, Richard and Laffont, Jean-Jacques. "A General Equilibrium Entrepreneurial Theory of Firm Formulation Based on Risk Aversion", Journal of Political Economy, Vol. 59. August 1979, pp. 719-748.

Kmenta, Jan. Elements of Econometrics. New York: Macmillan Company, 1971.

Knight, Frank. Risk, Uncertainty and Profit. New York: Houghton Mifflin, 1921.

Lucas, Robert E. "Labor-Capital Substitution in U.S. Manufacturing", in A.C. Harberger and Baile J.J., eds., The Taxation of Income from Capital. Washington, D.C. Brookings Institution, 1969, pp. 223-274.

____. "On the Size Distribution of Business Firms", Bell Journal of Economics, Vol. 9. August 1978, pp. 508-523.

Manski, Charles and Lerman Stephen. "The Estimation of Choice Probabilities from Choice-Based Samples", Econometrica. 1977-1988 p. 45.

Manski, Charles and McFadden, Daniel. "Alternative Estimators and Sample Design for Discrete Choice Analysis" in Charles Manski and Daniel McFadden, eds., Structural Analysis of Discrete Data with Econometrica Applications. Cambridge: MIT Press, 1981, pp. 2-50.

McClelland, David and Winter, David., Motivating Economic Achievement. New York: The Free Press, 1969.

Miller, William., ed., Men in Business New York: Harper and Row, 1962.

Mincer, Jacob. Schooling, Experience and Earnings New York: Columbia University Press, 1974.

O'Neill, Dave. "Voucher Funding of Training Programs: Evidence from the G.I. Bill", Journal of Human Resources. June, 1977, pp. 425-445.

Shapero, Albert. "The Displaced Uncomfortable Entrepreneur", Psychology Today. November, 1975, pp. 83-88.

Schrange, Henry. "The R&D Entrepreneur: Profile of Success", Harvard Business Review. December, 1965, pp. 56-69.

U.S. Bureau of the Census, Statistical Abstract of the United States: 1982-83. Washington, D.C. Government Printing Office, 1982, p. 385.

B. PROFILING ENTREPRENEURIAL VETERANS

By: Mid-Atlantic Research, Inc., 1984-1986
Williamsburg, Virginia

Allen, Louis L. "Executive Self Selection in Small Businesses," *Management of Personnel Quarterly*. Summer, 1965.

Atkinson, J.W. "Motivational Determinants of Risk-Taking Behavior," *Psychological Review*, 1957.

Baumback, Clifford M. and Mancuso, Joseph R. *Entrepreneurship and Venture Management*, Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1975.

Bendit, Robert L. "Working with the Entrepreneur," *Periodic Reports No. 47*. August, 1970.

Blaylock, K.D. "A Method for Studying Perception of Risk," *Psychological Reports*, December 1981.

Borland, Candace. "Locus of Control, Need for Achievement, and Entrepreneurship," Doctoral Dissertation. The University of Texas, 1975.

Brockhaus, Robert H. "The Effect of Job Dissatisfaction on the Decision to Start a Business," *Journal of Small Business Management*. 1980.

____. "I-E Locus of Control Scores as Predictors of Entrepreneurial Intentions," *Proceedings*, Academy of Management 35th Annual Meeting. 1975.

____. "Risk-Taking Propensity of Entrepreneurs," *Academy of Management Journal*, 1980.

Brockhaus, Robert H. and Nord, Walter R. "An Exploration of Factors Affecting the Entrepreneurial Decision: Personal Characteristic vs. Environmental Conditions", *Proceedings*, Academy of Management 39th Annual Meeting. 1979.

Brown, R.T. "Locus of Control and its Relation to Intelligence and Achievement", *Psychological Reports*. June, 1980, Part 1.

Business Week, "How the Classroom Turns Out Entrepreneurs." June 18, 1979.

____. "The New Entrepreneurs." April 18, 1983.

Chandler, T.A. *et al*. "Sex Differences in Self-Reported Achievement Motivation", *Psychological Reports*. April, 1979.

Collins, Orvis F. and Moore, David G. The Organization Makers: A Behavioral Study of Independent Entrepreneurs. New York: Appleton Century Crofts, 1970.

Collins, Orvis F., Moore, David G. and Unwalla, Darab. "The Enterprising Man and the Business Executive," MSU Business Topics. Winter, 1964.

Cooper, Arnold C. "Technical Entrepreneurship: What Do We Know?", Research and Development Management. February, 1973.

Davidshofer, Charles O. "Risk Taking and Vocational Choice: A Reevaluation," Journal of Counseling Psychology. 1976.

DeCarlo, James F. and Lyons, Paul R. "A Comparison of Selected Personal Characteristics of Minority and Non-Minority Female Entrepreneurs", Proceedings, Academy of Management 39th Annual Meeting. 1979.

Draheim, K. "Factors Influencing the Rate of Formation of Technical Companies" in A. Cooper and J. Komives, eds., Technical Entrepreneurship: A Symposium. Milwaukee: Center for Venture Management, 1972.

Eichler, V.L. "Locus of Control and Occupational Structure", Psychological Reports. June, 1980, Part 1.

Gurin, P., Gurin, G., Las R. and Beattie, M.M. "Internal-External Control in the Motivational Dynamics of Negro Youth", Journal of Social Issues. 1969.

Hendin, H. et al. "Meanings of Combat and the Development of Post-Traumatic Stress Disorder", American Journal of Psychiatry. November, 1981.

Howell, R.P. "Comparative Profiles: Entrepreneurs Versus the Hired Executive: San Francisco Semiconductor Industry", in A. Cooper and J. Komives, eds., Technical Entrepreneurship: A Symposium. Milwaukee: Center for Venture Management, 1972.

Hornaday, John A. and Aboud John. "Characteristics of Successful Entrepreneurs", Personnel Psychology. Summer, 1971.

Hull, David L., Bosley, John J. and Udell, Gerald G. "Renewing the Hunt for the Heffalump: Identifying Potential Entrepreneurs by Personality Characteristics", Journal of Small Business Management. January, 1980.

Kilby, Peter. "Hunting the Heffalump", in Peter Kilby, ed., Entrepreneurship and Economic Development. New York: The Free Press, 1971.

King, Michael, Murray, Michael A., and Atkinson, Tom. "Background, Personality, Job Characteristics, and Satisfaction in a National Sample", Human Relations. 1982.

Komives, J.L. "A Preliminary Study of the Personal Values of High Technology Entrepreneurs", in A. Cooper and J. Komives, eds., Technical Entrepreneurship: A Symposium. Milwaukee: Center for Venture Management, 1972.

Lamont, L.M. "What Entrepreneurs Learn from Experience", Journal of Small Business Management. July, 1972.

Lao, P.C. "Internal-External Control and Competent and Innovative Behavior Among Negro College Students", Journal of Personality and Social Psychology. 1970.

Lefcourt, H.M. Locus of Control: Current Trends in Theory and Research. Second Edition. Hillsdale, New Jersey: Lawrence Erlbaum Associated, Publishers. 1982.

Liles, Patrick R. New Business Ventures and the Entrepreneur. Homewood, Illinois: Richard D. Irwin, Inc., 1974.

Lindgren H.C. "Measuring Need to Achieve by nAch - nAff Scales: A Forced-Choice Questionnaire", Psychological Reports, December, 1976, Part 1.

Little, Roger D., and Fredland, J. Eric. "Veteran Status, Earnings, and Race," Armed Forces and Society. February, 1979.

Lynn, Richard. The Entrepreneur: Eight Case Studies. London: George Allen Unwin, 1973.

McClelland, David. The Achieving Society. Princeton: D. Van Nostrand, 1961.

____. "Achievement Motivation Can be Developed", Harvard Business Review, November-December, 1965.

____. "That Urge to Achieve", Think. November-December, 1966.

McClelland, David and Winter, D.G. Motivating Economic Achievement. New York: The Free Press, 1969.

McGhee, P.E. and Crandall, V.C. "Beliefs in Internal-External Control of Reinforcement and Academic Performance", Child Development. 1968.

Mancuso, Joseph R. "The Entrepreneur's Quiz" in Clifford M. Baumback and Joseph R. Mancuso, eds., Entrepreneurship and Venture Management. Englewood Cliffs, New Jersey: Prentice Hall, 1975.

Maqsud, Muhammad. "Relationship of Locus of Control to Age and Level of Aspiration", Psychological Reports. 1980.

Martindale, Melanie and Poston, Dudley L., Jr. "Variations in Veteran/Non-Veteran Earning Patterns Among World War II, Korea, and Vietnam War Cohorts", Armed Forces and Society. February, 1979.

Mescon, Timothy S. and Montanari, John R. "The Personalities of Independent and Franchise Entrepreneurs: An Empirical Analysis of Concepts", Proceedings, Academy of Management 41st Annual Meeting, 1981.

Pandey, Janak, and Tewary, N.B. "Locus of Control and Achievement Values of Entrepreneurs", Journal of Occupational Psychology. June, 1979.

Patel, V.G. "Venture Assistance Experiments in India", Proceedings, International Symposium on Entrepreneurship and New Enterprise Development, Summer, 1975.

Pilisuk, M. "The Legacy of the Vietnam Veteran", Journal of Social Issues, 1975.

Powell, James D. and Bimmerle, Charles F. "A Model of Entrepreneurship: Moving Toward Precision and Complexity", Journal of Small Business Management. January, 1980.

Roberts, E.B. and Wainer, H.A. "Some Characteristics of Technical Entrepreneurs", I.E.E.E. Transactions on Engineering Management. 1971.

Rotter, Julian B. "Generalized Expectancies for Internal Versus External Control of Reinforcement", Psychological Monographs. January, 1966.

Schollhammer, H. and Kuriloff, A.H. Entrepreneurship and Small Business Management. New York: John Wiley, 1979.

Schreiber, E.M. "Enduring Effects of Military Service? Opinion Differences Between U.S. Veterans and Non-Veterans", Social Forces. March, 1979.

Shapero, Albert. "An Action Program of Entrepreneurship", Austin: Multi-Disciplinary Research, 1971.

____. "The Displaced, Uncomfortable Entrepreneur", Psychology Today. November, 1975.

Smith, Samuel A. "The 'Psychology' of Entrepreneurship: Culture, Motivation, and Organization", Antitrust Law and Economic Review. 1981.

Stake, J.E. "The Relationship Between Achievement Orientation and Locus of Control", Journal of Social Psychology. October, 1979.

Stoner, Charles R. and Fry, Fred L. "The Entrepreneurial Decision: Dissatisfaction or Opportunity?", Journal of Small Business Management. April, 1982.

Strayer R. and Ellerhorn, L. "Vietnam Veterans: A Study Exploring Adjustment Patterns and Attitudes", Journal of Social Issues. 1975.

Susbauer, J.C. "The Technical Company Formation Process: A Particular Aspect of Entrepreneurship", Doctoral Dissertation. University of Texas at Austin, 1969.

____. "The Technical Entrepreneurship Process in Austin, Texas" in A. Cooper and J. Komives, eds., Technical Entrepreneurship: A Symposium. Milwaukee: Center for Venture Management, 1972.

Thienes-Hontos, Patricia, Watson, Charles G. and Kucala, Teresa. "Stress-Disorder Symptom in Vietnam and Korean War Veterans", Journal of Consulting and Clinical Psychology. 1982.

Thorn, R.G. and Payne, S.L. "Ethical Judgements of Armed Services Veterans Attending College", Psychological Reports. August, 1977.

Touhey, John C. and Villemez, Wayne J. "Need Achievement and Risk Taking: A Clarification", Journal of Personality and Social Psychology. 1975.

Tudor, Bill. "A Specification of Relationships Between Job Complexity and Powerlessness", American Sociological Review. October, 1972.

Vesper, Karl H. New Venture Strategies. Englewood Cliffs, New Jersey: Prentice Hall, 1980.

Webster, Frederick A. "The Independent Entrepreneur and the Firm: A Re-Visit", Proceedings, Academy of Management 35th Annual Meeting, 1975.

____. "A Model for New Venture Initiation: A Discourse on Rapacity and the Independent Entrepreneur", Academy of Management Review. January, 1976.

C. DIFFERENCES BETWEEN VETERAN AND NON-VETERAN-OWNED BUSINESSES

By: Inductive Inference, Inc. 1985-1986
New York, New York

The State of Small Business: A Report of the President. U.S. Government Printing Office, March, 1984.

Altman, E.L. "Financial Ratios Discriminant Analysis and the Prediction of Corporate Bankruptcy", Journal of Finance, Vol. 23, No. 4, 1968: pp. 589-609.

Beaver, W.H. "Financial Ratios as Predictors of Failure", Empirical Research in Accounting: Selected Studies 1966. Journal of Accounting Research, Vol. 12, No. 1, 1966: pp. 1-25.

Chen, K.H. and Shimerda, T.A. "An Empirical Analysis of Useful Financial Ratios", Financial Management, Vol. 10, 1981: pp. 51-60.

Deakin, E.B. "Distributions of Financial Accounting Ratios: Some Empirical Evidence", The Accounting Review, Vol 51, No. 1, 1976: pp. 167-179.

Edminster, R.O. "An Empirical Test of Financial Ratio Analysis for Small Business Failure Prediction", Journal of Financial and Quantitative Analysis, Vol. 7, No. 2, 1972: pp. 1477-1493.

Frank, R.R., Massy, W.F. and Morrison, D.G. "Bias in Multiple Discriminant Analysis", Journal of Marketing Research, Vol. 2, August, 1965: [pp. 250-258].

Libby, R. "Accounting Ratios and the Prediction of Failure: Some Behavior Evidence", Journal of Accounting Research, Vol. 13, 1975: pp. 150-161.

Pinches, G. E. and Mingo, K.A. "A Multivariate Analysis of Industrial Bond Ratings", Journal of Finance, Vol. 28, 1973: pp. 1-18.

Wilcox, J.W. "A Simple Theory of Financial Ratios as Predictors of Failure", Journal of Accounting Research, Vol. 9, No. 2, 1971: pp. 389-395.

The State of Small Business: A Report of the President, U.S. Government Printing Office, May, 1985.

D. FINANCIAL SUCCESS AND BUSINESS OWNERSHIP AMONG VIETNAM AND OTHER VETERANS

By: Steven Lustgarten & Associates, 1985-1986

Becker, Gary. Human Capital, 2nd ed., NBER, 1975.

Detroy, Dennis. "Veteran Status as a Screening Device", American Economic Review, (March, 1982) Vol., 72, No. 1: pp. 133-142.

Michael, Robert T. and Becker, Gary. "On the New Theory of Consumer Behavior", The Swedish Journal of Economics, Vol. 75, No. 4: 1973.

Rosen, Sherwin. "Hedonic Prices and Implicit Markets", Journal of Political Economy, 1974: pp. 34-55.

Spence, Michael. Market Signalling. Harvard University Press, 1974.

E. VIETNAM-ERA VETERANS AND ENTREPRENEURSHIP

By: Veterans' Small Business Project, 1986
Newtonville, Massachusetts

Bramson, Leon and G.W. Goethals, War: *Studies from Psychology, Sociology, Anthropology*. New York: Basic Books, 1968.

Figley, Charles R. and Seymour Leventman eds., *Strangers at Home: Vietnam Veterans Since the War*. New York, Praeger Publishers, 1980.

Graylin, Willard. *In the Service of Their Country*. New York: Viking Press, 1970.

House Hearings, *Report on Educational Testing Service, Princeton University, On Educational Assistance Programs for Veterans*, House Committee Print No. 81, 93rd Congress, 1st Session, Washington, D.C.: U.S. Government Printing Office, 1973.

Klein, Alex and L. Fisher. *Post-War Opportunity and the Vietnam-Era Veteran*. New York: The American Civil Liberties Union Foundation through a grant from the Aron E. Norman Foundation, Feb. (publication also connected with NYC Commission on Human Rights), 1975.

Leventman, Seymour. "Official Neglect of Vietnam Veterans", *Journal of Social Issues*, Vol. 31, No. 4, 1975.

Moskos, Charles, C., Jr. *The American Enlisted Man: The Rank and File in Today's Military*. New York: Russel Sage Foundation and Basic Books, 1970.

National League of Cities - U.S.C.M., *Final Report* - Special Veteran's Opportunity Committee, Veterans Education and Training Service (VETS), 1973.

Norton, Eleanor Holmes, Chairman, *Post War Opportunity and the Vietnam-Era Veterans*. New York City Commission on Human Rights, Selected Testimony, Analysis and Recommendations, 1975.

Pollock, John C. and D. White and F. Gold. "When Soldiers Return: Combat and Political Alienation among White Vietnam Veterans", *New Directions in Political Socialization*. D.C. Schwartz and S.K. Schwartz, eds., New York: The Free Press, 1975.

Senate Committee Print No. 7, *A Study of the Problems Facing Vietnam-Era Veterans on Their Readjustment to Civilian Life*, 92nd Congress, 2nd Session, January 31, 1972.

Senate Committee Print No. 26, Source Material on the Vietnam-Era Veteran, 93rd Congress, 2nd Session, February 12, 1974.

The Vietnam Veteran in Contemporary Society, Department of Medicine and Surgery, Veterans Administration, Washington, D.C.: U.S. Government Printing Office, (1B 11.22) May, 1972.

Senate Committee Print No. 18, 93rd Congress, 1st Session, Final Report on Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills, Washington, D.C.: U.S. Government Printing Office, September 20, 1973.

Starr, Paul. The Discarded Army: Veterans After Vietnam. New York: Charterhouse, 1973.

Taussig, Michael K. Those Who Served, Report of the Twentieth Century Fund Task Force on Policies Toward Veterans, New York: The Twentieth-Century Fund, 1974.

Wagonseller, James M. "Every Veteran Has a Stake-In System", The Massachusetts Legionnaire, Vol. I, No. I. Boston, April, 1975.

Wilson, John P. The Forgotten Warrior Project. Part I: Identify Ideology and Crisis: The Vietnam Veteran in Transition, Part II, Psychological Attributes of the Veteran Beyond Identity: Patterns of Adjustment and Future Implications. Cleveland: Cleveland State University Press, 1978.

F. ANALYSIS OF VETERANS' NEEDS FOR MANAGEMENT ASSISTANCE

By: Centaur Associates, 1984

Birch, David L. "The Job Generation Process", MIT Program on Neighborhood and Regional Change, Cambridge, Massachusetts, 1974: pp. 4-11.

Carpenter-Smith, Tracy. "SBDC - A Helping Hand", in Georgia Business, No. 38, 1978: pp. 1-3.

Minority Business Enterprise Today: Problems and Their Causes, Research Division, Minority Business Development Agency, U.S. Department of Commerce, January, 1982: p. 1.

Pierce, Neal R. and Steinbach, Carol. "Reindustrialization on a Small Scale - But Will the Small Business Service?", in National Journal, Vol. 13, No. 3, January 17, 1981: p. 105.

Schmenner, Roger. "Every Factory Has a Life Cycle", Harvard Business Review, Vol. 61, No. 2, March-April 1983: pp. 121-129.

The State of Small Business: A Report of the President, March 1982: p. 49.

The State of Small Business: A Report To the President, Transmitted to the Congress, March 1983, Together with the Annual Report on Small Business and Competition on the U.S. Small Business Administration. U.S. Government Printing Office, Washington, D.C., 1983: p. 202.

U.S. Small Business Administration, "Policy Statement. Subject: Special Consideration for Veterans of the Armed Forces", James C. Sanders, Administration, May 14, 1982.

U.S. Veterans Administration, 1982 Annual Report, pp. 3-6.

G. VIABLE LOAN CATEGORIES FOR VETERANS

By: Joel Popkin and Company, 1986
Washington, D.C.

Amemiya, T. "Quantitative Response Models: A Survey," Journal of Economic Literature, Volume 19, No. 4, December, 1981: pp. 1483-1536.

O'Rourke, Vincent Jr. "The Usefulness of Financial Rational Analysis for Discrimination of Small Business Risks," 1983. University Microfilms International, Ann Arbor, Michigan. The study showed that current rather than historical cost financial data available at the time of the loan application were useful in predicting loan outcome.

H. INFORMAL RISK CAPITAL IN THE SUNBELT REGION

By: Applied Economics Group, Inc., 1985-1986
Knoxville, Tennessee

Dun's Market Identifier File, December, 1984.

Hines, William W. and Montgomery, Douglas C. Probability & Statistics in Engineering Management Science. New York: Wiley & Sones, 1980, pp. 211-212.

Minority Business Enterprise Today: Problems and Their Causes, U.S. Department of Commerce, Minority Business Development Agency, Research Division, Washington, D.C., 1982; and Minority-Owned Problems and Opportunities: A 1983 Update. U.S. Department of Commerce, June 1984.

Office of Technology Assessment, Technology, Innovation and Regional Economic Development, OTA-STI-238, Washington, D.C., 1984.

Tymes, Elna and O.J. Krasner. Informal Risk Capital in California. Pepperdine University, Malibu, California, 1983.

Wetzel, William E., Jr. and Seymour, Craig R. Informal Risk Capital in New England. U.S. Small Business Administration, Washington, D.C., 1981.

I. A STUDY OF THE DEPARTMENT OF DEFENSE PROCUREMENT FROM VETERANS

By: KCA Research, Inc., 1985
Alexandria, Virginia

The research firm, KCA Research, Inc., did not include a bibliography or reference source in its final or interim reports. They did, however, indicate that they consulted the individual Contract Action Reports (SF279) for fiscal years 1981 and 1982 maintained by the Federal Procurement Data Center.

VETERANS AND ENTREPRENEURSHIP

A RESEARCH DIGEST

APPENDIX D

TECHNICAL TABLES

Table 1. Distribution of Veteran Owned Businesses by Major Industry

Veteran Owned Businesses' Overrepresented in

- wholesale
- manufacturing

Veteran Owned Businesses' Underrepresented in

- finance, insurance and real estate
- retailing
- transportation, communications and other utilities
- agriculture, forestry and fishing

Vietnam Veteran Owned Businesses'Overrepresented in

- manufacturing
- agriculture, forestry and fishing
- wholesaling
- services

Vietnam Veteran Owned Businesses' Underrepresented in

- finance, insurance and real estate
- mining
- transportation, communications and other utilities
- retailing

Sources: Adapted from David Rothenberg, "Differences Between Veteran and Non-Veteran Owned Businesses," Inductive Inference, 1986, p. 46.

Table 2. Percentage Differences in Self-Employment Rates of Veterans Compared to Nonveterans by Sex, Race, Disability Status and Service Period*

Class	Vietnam Era[1]	Between Wars[2]	Korean War[3]	WWII[4]
White Male Veterans, %	-36.0	-26.0	-23.8	-17.9
Nonwhite Male Veterans, %	-39.6	-26.9	-21.7	-10.1
Female Veterans, All Races, %	-25.6	-15.0	-7.7**	+4.3**
Disabled Male Veterans, All Races, %	-30.7	-26.2	-27.1	-16.4
Nondisabled Male Veterans, All Races, %	-33.6	-22.4	-17.1	-10.9

Source: Adapted from Steven Lustgarten and Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," pp. II-2, III-2, IV-3, V-2.

* Percentage figures indicate the greater or lesser likelihood of a veteran being self-employed as compared to a nonveteran in the same class and service period categories. Percentage figures do not represent actual self-employment rates. For self-employment rates see: U.S. Small Business Administration, The State of Small Business, A Report of the President, 1986, Washington, D.C.: U.S. Government Printing Office, June, 1986, page 89. Also see Tables 7 and 8 of this Digest.

** Percentage differences are statistically significant at the .05 levels except where indicated by **.

[1] Vietnam Era: August 1964 - April 1975

[2] Between Wars: February 1955 - July 1964

[3] Korean War: June 1950 - January 1955

[4] WW II: September 1940 - July 1947

Table 3. Annual Wage Income and Percentage Differences Between Veterans and Nonveterans by Service Period

	Wage Income (Dollars)			
Class	Vietnam Era	Between Vietnam and Korea	Korean Conflict	World War II
White Males				
Veterans	17,035	21,187	21,603	20,865
Nonveterans	17,674	20,391	19,549	17,659
Difference* (Percent)	-3.6	+3.9	+10.5	+18.5
Nonwhite Males				
Veterans	13,215	16,616	16,214	14,771
Nonveterans	12,125	13,576	12,884	11,755
Difference* (Percent)	+8.9	+22.4	+25.8	+25.7
Females, All Races				
Veterans	9,136	11,508	12,132	11,874
Nonveterans	8,388	8,674	9,042	9,033
Difference* (Percent)	+8.9	+27.4	+34.1	+31.5
Disabled Males, All Races				
Veterans	12,511	14,605	14,734	14,502
Nonveterans	11,340	12,777	12,713	11,657
Difference* (Percent)	+10.3	+14.3	+15.8	+24.4

* All differences are statistically significant at a .05 level.

Source: Steven Lustgarten & Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," pp. 11-15, III-3, V-12, IV-11, and V-10.

Table 4. Annual Self-Employment Income and Percentage Differences Between Veterans and Nonveterans by Service Period

Class	Self Employment Income (Dollars)			
	Vietnam Era	Between Vietnam and Korea	Korean Conflict	World War II
White Males				
Veterans	12,546	13,957	13,930	13,930
Nonveterans	12,691	13,455	13,333	12,509
Difference* (Percent)	-1.1	+3.7	+4.5	+11.4
Nonwhite Males				
Veterans	10,124	11,431	11,836	11,369
Nonveterans	10,363	12,592	11,511	10,891
Difference* (Percent)	-2.3	-9.4	+2.8	+4.4
Females, All Races				
Veterans	7,189	6,618	8,304	7,485
Nonveterans	4,619	5,835	4,516	5,791
Difference* (Percent)	+55.6	+13.4	+83.9	+29.2
Disabled Males, All Races				
Veterans	8,173	9,217	9,243	9,179
Nonveterans	8,318	9,334	8,504	8,110
Difference* (Percent)	-1.7	-1.3	+8.7	+13.1

* All differences are statistically significant at a .05 level.

Source: Steven Lustgarten & Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," pp. 11-15, III-3, V-12, IV-11, and V-10.

Table 5
Industries Relatively Most and Relatively Least Chosen for Self-Employment by Veterans - All Wars

Most Chosen

Aircraft and Parts - Manufacturing

Radio & TV and Communication Equipment - Manufacturing

Air Transportation

Metallic Minerals (except petroleum) - Wholesale Trade

Vending Machine Operations - Retail Trade

Fuel Business - Retail Trade

Insurance and Real Estate

Detective and Protective Services

Business and Management Services

Dentistry

Least Chosen

Meat Product - Manufacturing

Logging - Manufacturing

Pottery - Manufacturing

Apparel - Manufacturing

Sporting Goods & Toys - Wholesale Trade

Farm Products - Wholesale Trade

Dairy Products Retail Trade

Private Household Services

Bus Transportation Services

Religious Organizations

Notes

1 - Very small industries, defined as those with a sample size of less than 30 veterans and nonveterans were not placed on either list. This table may not match exactly Table 1 due to differences in methodology.

Source: Lustgarten & Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," p. VIII-3.

Table 6. Percentage Differences Between Annual Wage and Self-Employment Income of Veterans by Sex, Race, Disability Status, and Service Period*

Class	Vietnam Era	Between Wars	Korean War	WWII
White Male Veterans, %	-26.4	-34.1	-34.5	-33.2
Nonwhite Male Veterans, %	-23.4	-31.2	-27.0	-23.0
Female Veterans, All Races, %	-21.2	-42.5	-31.6	-37.0
Disabled Male Veteran All Races	-34.7	-36.9	-37.3	-36.7

Source: Adapted from Steven Lustgarten & Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," also see Tables 3 and 4 of Digest.

* All percentage differences are statistically significant at a .05 level. Percentage figures are the ratio of self-employment income to wage income subtracted from 100, indicating how much greater or lesser, in relative terms, self-employment income is compared to wage income.

Table 7. Comparative Self-Employment Rates of Veterans and Nonveterans[a]

By Age Group

Percent of Individuals Who Were Self-Employed in 1982

Age Group	War Veterans	Other Veterans	Vietnam Veterans	Nonveterans
25-64	11.4	9.8	8.0	11.6
25-29	4.8	3.8	4.8	7.8
30-34	7.1	9.6	7.1	10.4
35-39	9.0	9.8	9.0	12.4
40-44	10.0	9.8	11.1	13.5
45-49	12.1	12.5	9.4	13.9
50-54	12.3	11.8	8.0	15.3
55-59	14.3	14.3	10.1	17.7
60-61	16.1	*	21.1	22.1
62-64	18.7	*	15.4	26.5
65+	30.1	*	16.7	34.7

* Insufficient data.

[a] Based on 1982 Current Population Survey. Special tabulations provided by the Bureau of Labor Statistics. Vietnam Veterans are veterans who served during the Vietnam era, but not necessarily in Vietnam. War Veterans are veterans who served during a military conflict, but not necessarily in a war zone.

Source: David Evans, "Entrepreneurial Choice and Success," Table 3.1.

Table 8. Percent of Self-Employed Veterans and
Self-Employed Nonveterans in Each Major Industry by War Period

Industry	Vietnam		Between War		Korea		World War II	
	V[1]	NV[2]	V	NV	V	NV	V	NV
Agriculture	12.0	16.4	12.2	18.6	14.0	21.8	14.0	32.6
Mining	0.5	0.5	0.7	0.6	0.6	0.7	0.7	0.5
Construction	19.3	17.8	14.1	16.3	14.6	15.3	13.4	12.4
Manufacturing-Nondurable	1.7	2.2	2.4	2.3	2.1	2.4	2.8	2.4
Manufacturing-Durable	4.1	4.3	3.9	4.8	4.3	4.8	4.2	4.1
TPCU[3]	4.2	4.1	3.7	4.0	3.5	4.1	3.4	3.4
Wholesale Trade-Durable	2.4	2.4	3.1	2.4	3.2	2.2	3.2	2.2
Wholesale Trade-Nondurable	1.9	2.2	2.4	2.4	2.7	2.7	3.3	2.6
Retail Trade	15.3	15.5	17.3	17.4	18.9	18.0	19.2	16.1
Finance, Insurance, Real Estate	5.6	4.9	8.1	4.8	7.7	4.6	7.4	4.3
Business & Repair Service	10.5	9.7	10.5	9.4	10.5	8.0	9.3	7.1
Personal Service	2.8	3.0	3.0	3.2	3.7	3.2	3.9	4.1
Entertainment Service	1.5	2.0	1.4	1.1	0.9	0.8	0.8	0.6
Professional Service	18.4	15.0	17.2	12.8	13.4	11.4	14.5	7.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes:
1 V = Veterans
2 NV = Nonveterans
3 TPCU = Transportation, Communication and Public Utilities

Source: Steven Lustgarten & Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," Table VIII-2.

Table 9. Probability of Self-Employment[a]
Linear Probability Model Estimates
Males

Characteristic	1970 Probability Coefficient (Standard Error)	1980 Probability Coefficient (Standard Error)
BLACK	-0.0356* (0.0146)	-0.0565* (0.02133)
POST 1975 VETERAN	-	-0.0654* (0.0338)
VIETNAM VETERAN	-0.0564*** (0.0182)	-0.0545** (0.0205)
BETWEEN KOREA AND VIETNAM	-	-0.0313 (0.0215)
KOREAN VETERAN	-0.0049 (0.0174)	-0.0290 (0.0250)
WW II VETERAN	0.0229 (0.0215)	-0.0366 (0.0369)
OTHER VETERAN	-0.0339* (0.0179)	-0.0896 (0.0649)
MANAGEMENT OCCUPATION	0.1341*** (0.0168)	0.1000*** (0.0196)
PROFESSIONAL OCCUPATION	0.0387** (0.0145)	0.0167 (0.0199)
SALES OCCUPATION	0.1102*** (0.0184)	0.2015*** (0.0247)
Exogenus Variables[b]	31	35
R^2 Value[c]	.12	.14

* Statistically significantly different from zero at .05 percent level.

** Statistically significantly different from zero at .01 percent level.

*** Statistically significantly different from zero at .001 percent level.

[a] Estimates based on linear probability model with correction for heteroskedasticity. A minus (-) indicates that males with a specific characteristic are less likely to be self-employed than males without that characteristic but with other measured characteristics, e.g. race, age education, occupation, residence, etc., in common. In other words, a minus (-) indicates a negative relationship between a specific characteristic, e.g. Vietnam veteran, and self-employment. The magnitude ranges from -1 to +1.

[b] Total variables analyzed. This table presents 10 of the variables.

[c] The R^2 value represents the percent of variation (change) in the dependent variable (self-employment) explained by all independent variables (31 and 35) together. In other words, all the demographic characteristics together explain only 12% and 14% of why different types of males, e.g. black, Vietnam veteran, managers, etc., have different self-employment rates (probabilities).

Source: Adapted from Evans, "Entrepreneurial Choice and Success," Table C.1a.

Table 10. Probability of Self-Employment[a]
Structural Probit Model Estimates
Males 1980

Characteristic	Probability Coefficient (Standard Error)
SELF-WORK	0.9337*** (0.0137)
BLACK	-0.5402*** (0.1128)
HANDICAP	0.2456** (0.0919)
AGE	0.6678*** (0.1484)
NEWVET	-0.7501* (0.1931)
VIETVET	-0.1756* (0.0700)
FEMALE VET (Pre-Vietnam)	-0.1272* (0.0578)

* Statistically significantly different from zero at .05 percent level.

** Statistically significantly different from zero at .01 percent level.

*** Statistically significantly different from zero at .001 percent level.

[a] Weighted maximum likelihood estimates of probit model. Asymptotic standard errors in parentheses. See Table 9 for interpretation of data.

Source: Evans, "Entrepreneurial Choice and Success, Table c.7.

Table 11. Net Impact of Demographic Characteristics on the Probability of Self-employment[a]
1980

	Percentage Impact
Characteristic	Men
Post-Vietnam Era Veterans	-54.9*
Vietnam Veterans	-24.9*
Black	-54.4*
Age[b]	15.5*

* There is a less than one out of twenty chance that the true impact is zero - statistically significant at .05 level.

[a] Entries indicate the percentage difference in self-employment rates between males who possess the characteristic and otherwise comparable males who do not possess the characteristic.

[b] Percentage change in the probability of self-employment per additional year of age, calculated for a 42 year old male.

Table 12. Self-Employment and Wage Earnings Equations[a]
Males - 1980

Characteristic	Self Employment Correlation Coefficient (Standard Error)	Wage Correlation Coefficient (Standard Error)
BLACK	0.1799 (0.1143)	-0.2614*** (0.0508)
HANDICAP	-0.4707*** (0.0664)	-0.1031* (0.0761)
POST 1975 VETERAN	0.5334** (0.1639)	-0.2499*** (0.0761)
VIETNAM VETERAN	0.0968 (0.0725)	0.0585 (0.0441)
BETWEEN VIETNAM AND KOREA	0.0117 (0.0582)	-0.0152 (0.0441)
KOREAN VETERAN	-0.0273 (0.0614)	0.0499 (0.0510)
WW II VETERAN	-0.0302 (0.0818)	-0.1177 (0.0733)
OTHER VETERAN	-0.1596 (0.1773)	0.0595 (0.1475)
MANAGEMENT OCCUPATION	-0.2631*** (0.0409)	0.0944* (0.0450)
PROFESSIONAL OCCUPATION	0.0026 (0.0634)	-0.0257 (0.0439)
SALES OCCUPATION	-0.7491*** (0.1892)	-0.0033 (0.0520)
Exogenous Variables[b]	28	29
R^2 Value[c]	.15	.54

* Statistically significantly different from zero at .05 percent level.

** Statistically significantly different from zero at .01 percent level.

*** Statistically significantly different from zero at .001 percent level.

[a] This table shows the relationship between a characteristic, e.g. a handicapped male, and earnings - both self-employment and wage. For example, a minus (-) indicates that there is a negative relationship between earnings and a person with a specific characteristic, e.g. handicap, all other characteristics, e.g. age, education, race, etc., being comparable. Thus a negative relationship indicates that earnings are less for that category of male, e.g. handicap, than for comparable non-handicapped males, on average.

[b] See note b, Table 9.

[c] See note c, Table 9.

Source: Adapted from Evans, "Entrepreneurial Choice and Success," Table C.4b.

Table 13. Impact of Demographic Characteristics
On The Difference Between Self-Employment and Wage Earnings[a]
1980

Percent Differences in Earnings

Characteristic	Males
Post-Vietnam War Era Veterans	118.87*
Vietnam War Era Veterans[b]	3.90
Pre-Vietnam War Era Veterans	2.73
Korean War Era Veterans	2.29
World War II Era Veterans	9.14
Other Veterans	-19.68

*Difference is statistically significant at .05 level.

[a] Entries equal the percentage difference in earnings between self-employed people who possess the characteristic and otherwise comparable wage earners who possess the characteristic. A minus (-) indicates that self-employment income is less than wage income.

[b] Includes Post-Vietnam Era veterans for females.

Source: Evans, "Entrepreneurial Choice and Success," Table 5.1.

Table 14. Annual Total Income by Veteran Status[a]

	Veteran Status					
Annual Income	Veteran		Non-Veteran		Total	
Under $15,000	2.0%		9.8%		7.3%	
$15,000 - $24,999	7.4%		25.5		19.8	
$25,000 - $34,999	18.3		26.8		24.1	
$35,000 - $49,999	31.2		19.8		23.4	
$50,000 - $74,999	23.1	41.1%	10.9	18.1%	14.8	25.4%
$75,000 or more	18.0		7.2		10.6	
	100.0%		100.0%		100.0%	
	(n=1600)		(n=3436)		(n=5036)	

---

[a] Chi square test statistically significant at the .05 level ($p > .05$). Sample population-selected business school graduates.

Source: Mid-Atlantic Research, "Profiling Entrepreneurial Veterans," Vol. II, Table 5-7, pages 52.

Table 15. Annual Self-Employment Income by War Cohort[a]
(Entrepreneurs Only)

	War Cohort				
Annual Income	World War II	Korean War	Vietnam War	Peacetime Service Only	Total
Under $15,000	1.8%	2.2%	1.5%	3.1%	2.0%
$15,000 - $24,999	6.9	3.7	4.1	6.2	6.0
$25,000 - $34,999	13.9	16.3	20.5	7.7	15.7
$35,000 - $49,999	22.6	29.6	26.2	21.5	24.6
$50,000 - $74,999	23.4	20.0	24.6	23.1	22.3
$75,000 or more	31.4	28.2	23.1	38.4	29.4
	100.0%	100.0%	100.0%	100.0%	100.0%
	(n=274)	(n=135)	(n=195)	(n=65)	(n=665)

---

[a] Sample population - selected business school graduates.

Source: Mid-Atlantic Research, "Profiling Entrepreneurial Veterans," Vol. II, Table 7-6, page 76.

Table 16. Source of Initial Financing or Capital for Veteran-Owned Businesses

Source	Previously Owned Business (%) [a]	Currently Owned Business (%)
Family or Friends	21	19
Individual or Joint Savings	66	64
Government Agency	4	4
Venture Capital	0	1
Former Owner	6	4
Bank Loan	18	21
Other [b]	10	13
	(n = 117)	(n = 167)

[a] Percentages do not add to 100 since some used more than one source of capital.

[b] Includes credit unions and insurance sources.

Source: Jerry Boren, "Vietnam-Era Veterans and Entrepreneurship," Table 37, page 85.

Table 17. Percent of Department of Defense Contracts Which Were Awarded to Veteran-Owned Firms by Stratum, Fiscal Years 1981-82

Stratum	Veteran Owned	Non-Veteran Owned	Total
$10,000 - $25,000 Equipment and Supplies	38.1	61.9	100.0
$10,000 - $25,000 Other	44.4	55.6	100.0
$25,000 - $100,000 Equipment and Supplies	43.8	56.2	100.0
$25,000 - $100,000 Other	50.9	49.1	100.0
$100,000 - $500,000 Equipment and Supplies	45.1	54.9	100.0
$100,000 - $500,000 Other	46.6	53.4	100.0
More than $500,000 Equipment and Supplies	38.8	61.2	100.0
More than $500,000 Other	31.7	68.3	100.0
Total	42.8*	57.2*	100.0

* Statistically significant at 95% confidence level with confidence interval of: 42.8 +/- 4.1; 57.2 +/- 4.1.

Source: KCA Research, "A Study of Department of Defense Procurement From Veterans," Table 7, page 15.

Table 18. Percent of Department of Defense Contracts Awarded to Veteran Owned Firms Which Went to Vietnam Veterans, FY 81-82 (Other Than Coast Guard)

Stratum	Vietnam Veteran	Other Veteran	Total
$10,000 - $25,000 Equipment and Supplies	16.7	83.3	100.0
$10,000 - $25,000 Other	17.1	82.9	100.0
$25,000 - $100,000 Equipment and Supplies	7.0	93.0	100.0
$25,000 - $100,000 Other	19.6	80.4	100.0
$100,000 - $500,000 Equipment and Supplies	15.0	85.0	100.0
$100,000 - $500,000 Other	25.0	75.0	100.0
More than $500,000 Equipment and Supplies	2.9	97.1	100.0
More than $500,000 Other	25.0	75.0	100.0
Total	15.0*	85.0*	100.0

* Statistically significant at 95% confidence level with confidence interval of: 15.0 +/- 4.6; 85.0 +/- 4.6.

Source: KCA Research, "A Study of Department of Defense Procurement From Veterans," Table 21, page 32.

Table 19. Profile of Informal Investment

The Investor	The Firm	The Investment
49 years old	0-19 employees	$37,500
White, male, veteran	Start-up stage	$36,000 added as loans & loan guarantees
College degree in bus./eng.	Nontechnology based	50% control
$70,000 annual family	Mfg. or F/I/RE	One each 18 mo.
$750,000 net worth	50 mi. radius of investors	20% min annual return required
made 2 informal investments	3 informal investors	3-4 year liquidation
$78,000 in total informal investments	$112,000 total informal equity funds received	2 individuals as other investors
$75,000 total in loan/guarantees	$108,000 total loans and/or loan guarantees received	Common stock equity instrument
Rejects 2 or 3 deals	$220,000 total informal funds received	
Active as consultant	Has comprehensive bus. plan	
Information source is primarily friends & business assoc.	White, male is principal owner	
Satisfied with investment experience		
Has previous start-up experience		
Plans another investment in next 12 months		
Desires to invest 83% more than opportunity permitted		

Source: Robert Gaston and Sharon Bell, "Informal Risk Capital in the Sunbelt Region," Table 11, page 1-4.

Table 20. Informal Investment Characteristics:
Investor Preference vs. Actual Practice

Characteristic*	Actual	Preferred
Number of investments (average)	.69/yr.	.69/yr.
Investment size (each)	$37,500	$17,500
Firm Age (stage) (mode)	Start up	Start up
Industry of choice (mode)	Mfg. & Finance/ Insurance/Real Estate	Mfg. & Finance/ Insurance/Real Estate
Interest in technology based firms (% with strong interests)	24.5%	23.9%
Geographic Radius	50 mi. or less	50 mi. or less
Participate with other investors	Yes, 2 others	Yes, N/A
Type of other investor (mode)	Other individuals	Other individuals
Voting control	50%	Majority control
Key decision information (mode)	Personal knowledge of firm	Details of proposed financing
Income form (mode)	N/A	1/2 capital gains, 1/2 dividends
Interest in investors	N/A	45.5% "not interested"
Duration of investment	N/A	3-5 years
Method of liquidation (mode)	N/A	Sell to company

---

* Median values of respondents are used except where noted.

Source: Robert Gaston and Sharon Bell, "Informal Risk Capital in the Sunbelt Region," Table 4.2, page 4-5.

Table 21. Investor Satisfaction with Investment Opportunity Information by Investment Preference

Satisfaction Level	Veteran Owned %	Not Veteran Owned %	Total (all investors) %
Definitely satisfied	0.0	11.1	7.7
Basically but not totally satisfied	14.3	23.5	22.4
No opinion	38.1	33.3	35.9
Dissatisfied-moderate improvement needed	19.1	19.8	17.3
Totally dissatisfied-room for major improvement	28.6	12.4	16.7
Total	100.0%	100.0%	100.0%

* Includes unknown responses.

Source: Robert Gaston and Sharon Bell, "Informal Risk Capital in the Sunbelt Region," Table 3.7.1, page 3-213.

Table 22. Investor Characteristics and Investment Preference in Veteran or Nonveteran Owned Business

	Investment in		
Investor Characteristics	Veteran Owned Business %	Not Veteran Owned Business %	Total (all investors) %
Vietnam veteran	31.6	9.4	14.1
Other veteran	63.2	56.6	58.6
Disabled veteran	10.5	5.7	6.1
Female	0.0	3.8	4.0
Black	5.3	11.3	7.1
Spanish origin	0.0	3.8	3.0
Asian	0.0	5.7	3.0
Other minority	10.5	5.7	6.1
Total	N/A	N/A	N/A

* Includes unknown responses
N/A : Columns do not add to 100.0% since some respondents fit more than one category.

Source: Robert Gaston and Sharon Bell, "Informal Risk Capital in the Sunbelt Region," Table 3.3.27, page 3-48.

☆U.S. GOVERNMENT PRINTING OFFICE: 1987-174-924

ATTACHMENTS FROM FRANK J. FALKOWSKI

VIETNAM VETERANS LEADERSHIP PROGRAM
OF THE NIAGARA FRONTIER, INC.

P.O. BOX 406 • BUFFALO, NEW YORK 14223 - 0406 • (716) 878-4108, 4110

FRANK J. FALKOWSKI, Executive Director

WILLIAM PRICE, Counsel

Past Presidents:
JOSEPH E. RYAN
JOHN PROPIS
MICHAEL RYAN
STEPHEN T. BANKO III

A SPONSORED RESEARCH PROGRAM

STATE UNIVERSITY COLLEGE AT BUFFALO

The Leadership Program was personally approved by President Ronald Reagan on July 16, 1981, with a commitment to provide federal government resources as seed capital to develop the Leadership program concept across the country. The Buffalo program was founded in 1982 in response to the needs of the Western New York large veteran population; and combines educational resources, public advocacy and scholarship in a comprehensive effort to address issues arising from the Vietnam War.

Through the expansion of existing programs such as the VVLP's Child of Veteran Annual Scholarship Awards, the Waterfront Monument Project, and the creation of new programs such as the Veterans' Computerized Employment and Training Project and Veterans' Small Business Development Pilot Program, the VVLP offers a comprehensive array of educational and support services to veterans on and off campus. With an historically demonstrated record of experience in dealing with issues pertaining to veterans and an active research arm, the VVLP is often called on to provide testimony on behalf of veterans in public forums in New York and the nation. Likewise, the VVLP sponsored research program actively promotes academic research and program development dedicated to clarifying and deepening understanding of the 'lessons' of Vietnam.

APPLIED RESEARCH and DEVELOPMENT PROJECTS FOR VETERANS
Officers: PAUL A. ANGISANO, President; PHILIP GRAY, Vice President; ROY A. BARLEY, Secretary; JAMES ZUCARELLI, Treasurer

PROGRAMS

As a unit of the Research Foundation of State University of New York, the Leadership Program offers several specialized support programs for veterans. Among these are the Veterans' Employment and Training Program, the Veterans' Educational Scholarship Program and the Veterans' Resource Network Project.

VETERAN'S EMPLOYMENT AND TRAINING

Under the Department of Labor Job Training Partnership Act, the VVLP and the Buffalo Private Industry Council have combined resources to conduct employment and training programs for unemployed and underemployed veterans who are disabled, Vietnam Era (1964-1975) and recently discharged. Veterans belonging to these targeted groups make up approximately 25% of the Buffalo area's unemployed. Utilizing a sophisticated computerized job matching and assessment system, VVLP has enrolled 215 veterans into the program and has matched 119 of these veterans with full time employment at an average per hour wage rate of $6.75. This program has received attention as a national model for veterans' employment and training. Current placement wages are above the national average for JPTA veteran programs throughout the country. The VVLP has been given an extension on its grant through fiscal 1987 with two additional grants for program expansion and computer networking with the University of Massachusetts and the Columbus, Ohio VVLP under development. The office is located on the first floor of the Worker Re-Employment Center, 703 Main Street, Phone: 716/845-6830.

VETERANS' EDUCATIONAL SCHOLARSHIP PROGRAM

In 1983 the VVLP launched Operation Monument to honor those Vietnam Veterans from eight counties of the Niagara Frontier. Located on the Buffalo waterfront, the Vietnam Veterans' War Memorial, dedicated on July 10, 1984, has brought the veterans and local community together in a better understanding of the Vietnam experience, as well as giving the veteran community the needed leverage and support to expand veterans' programming. The Educational Scholarship Program has expanded programming which includes an Annual Scholarship Award and Luncheon, 5-K Scholarship Run, Veterans' Museum Project with the Buffalo Naval & Servicemens' Park, VVLP Speakers' Bureau which lectures to high schools, universities and community based organizations, and joint networking with The Project on the Vietnam Generation, Smithsonian Institution, Washington, D.C.

VETERANS' RESOURCE NETWORK PROJECT

The Veterans' Resource Project was established in 1985 with seed monies from the New York State Department of State to coordinate the delivery of support services to veterans and networking agencies. Directly and through referrals, the VVLP provides a cadre of professional volunteers who provide assistance and activities, and programs to benefit veterans and their families. Throughout the year, the VVLP sponsors conferences, workshops, lectures, symposia, and other special events bringing many scholars, writers and activists to the Western New York area speaking on such issues as Post-Traumatic Stress Disorder, Dioxin Agent Orange Contamination, Small Business Development and the Legacy of Vietnam. Among those who have visited are: Retired General William C. Westmoreland, Author Rick Eilert, Congressman and Former P.O.W. John McCain, Carmella LaSpada - No Greater Love Foundation, Medal of Honor Winner Paul "Buddy" Bucha and Biochemist Dr. Peter Kahn - Rutger's University.

THE SPEAKER'S CONFERENCE ON THE CONCERNS OF VIETNAM VETERANS

For the past three years the VVLP has participated in this national event held in Washington, D.C. in May. The conference features workshops coordinated by members of Congress and attended by Vietnam Veteran opinion leaders from across the country. Initiatives for new legislation, scheduling of oversight hearings and review of administrative procedures are discussed with Congressional leaders such as Former Speaker Tip O'Neill, Current Speaker of the House Jim Wright, Chairman of the Veterans' Affairs Committee "Sonny" Montgomery, members of the New York delegation and key committee members.

VVLP/BUFFALO STATE COLLEGE SMALL BUSINESS PROGRAM

Making business investments and receiving returns on those investments is one of the major alternatives that the VVLP encourages veterans to consider. As a generation approaching middle age, they are at their prime for undertaking entrepreneurial ventures. Nationwide, thousands of veterans have responded by making inquiries at VVLP offices about small business opportunities. For many of them, the American dream of small business ownership had been clouded by increasing interest rates, national recession and slow economic recovery following the Vietnam War.

To meet the increasing needs of these veterans, the VVLP has developed approaches to assist them in establishing small businesses.

VVLP/BUFFALO STATE COLLEGE SMALL BUSINESS PROGRAM (Con't)

During the fall of 1984, the Western New York VVLP and the SUNY SBA Regional Small Business Development Center, housed at Buffalo State College, began a pilot program to address the severe economic dislocation that has plagued Western New York and the adverse impact the declining economy has had on Vietnam veterans. VVLP has begun this program to provide business planning and consulting services to these individuals. The pilot was established to develop a screening mechanism that will enable VVLP to identify a veteran's needs (health, social services, business, etc.) and refer potential and existing entrepreneurs to the SBDC where initial feasibility work can be undertaken. Utilizing earmarked public resources such as direct loans, loan guarantees, management assistance and training, the Center has become an important factor in determining the feasibility of a veteran venture and will be a key component in subsequent recommendations and management decisions. The statewide delivery of veteran services will be greatly improved as the Buffalo Regional Center explores new areas of assistance in this field.

The VVLP screening process allows the SBDC to provide the most effective type of business assistance upon the first direct contact with the veteran entrepreneurs. The efficiency and effectiveness of this pilot program has been demonstrated in the service reports generated by both the SBDC and VVLP to their respective funding agencies. In 1986, VVLP provided testimony before the Subcommittee on General Oversight and the Economy - United States House of Representatives, to discuss the needs of veterans in business and veterans who have aspirations to start businesses of their own.

NEW YORK STATE SMALL BUSINESS DEVELOPMENT CENTER
VETERAN'S ENTREPRENEURIAL TRAINING (VET) PROGRAM

NYS SBDC/VETERAN'S OFFICES	-NYS Small Business Development Center Vietnam Veterans Leadership Program of WNY Other Veterans Agencies
INTAKE	-Promotion, screening and qualifying. Referral to Orientation Seminar
ORIENTATION SEMINAR	-Brief group on program, describe phases of program. Administer questionnaire and present videotape
INITIAL TRAINING	-30 hr. course on business planning to be presented in 8 areas of the state
COUNSELING	-Direct one-on-one short- and long-term business counseling at SBDC's. Development of business plan
SBA/SCORE CONSULTANT SERVICES	
SELECTED TRAINING	-SBDC sponsored training programs on selected topics
FINAL REVIEW OF BUSINESS PLAN	-SBDC staff review of business plan
IMPLEMENTATION	-Financing of small business enterprise

DOL/COMPU SERVE
VETERAN'S JOB NETWORK

SMALL BUSINESS
ENTERPRISE

Small Business Development Center

SUCB/SBDC SERVICES

The following information is a statistical breakdown of the percentages and types of services provided by the SUCB/SBDC from start of operation in October 1984 to and including March 31, 1987.

NUMBER OF CASES: 859
AVERAGE NUMBER OF COUNSELING HOURS PER CASE: 9.00

TYPE OF BUSINESS	
Retail	25.0%
Service	47.0%
Wholesale	6.0%
Manufacturing	14.0%
Construction	7.0%
Other	1.0%

ETHNIC BACKGROUND	
Black	17.0%
American	1.0%
Hispanic	1.0%
Asian	1.0%
Other - White	80.0%

SEX	
Male	63.0%
Female	32.0%
Male/Female	5.0%

MILITARY STATUS	
Veteran	15.0%
Vietnam Veteran	9.0%
Non-Veteran	76.0%

AREA OF COUNSELING

Start-up	28.0%	Personnel	1.0%
Sources of Capital	12.0%	Computer System	2.0%
Marketing/Sales	24.0%	International Trade	.25%
Government Procurement	5.0%	Business Liquid	.25%
Accounting & Record	3.0%	Business Plan	17.0%
Financial Analysis	7.0%	Other	.25%
Engineering, R&D	.25%		

FINANCIAL IMPACT	
SBA Direct	$ 75,000
Urban Development Corp.	70,000
EDD/RPD RLF	37,500
Local Development Corp.	110,000
Bank	823,000
Private Investor	678,500
Equity - Cash	1,261,200
Other	18,500
To Be Determined	2,158,000
TOTAL:	5,231,700

JOB IMPACT	Saved	Created
Retail	180	104
Service	186	171
Wholesale	24	12
Manufacturing	138	64
Construction	14	48
Other	1	7
TOTAL:	543	406

SMALL BUSINESS
The
Heart of
American
Enterprise

"THE BUSINESS DISC"

AN INTERACTIVE VIDEO LASER BUSINESS INSTRUCTION DISC

OVERVIEW

The BusinessDisc is a videodisc simulation which will lead you through the steps of planning a small business and then allow you to experience managing the business for twelve months. The videodisc format was selected because the capabilities of the computer combined with the videodisc player allow you to:
- See live action, animation, and slides.
- Figure your income needs, business expenses, sales fluctuations, and pricing.
- "Talk"with and respond to professional advisors and other business owners.
- Vicariously experience the first year in business, based on decisions you have made.
- Experiment with different planning options.
- Outline your business plan in a fraction of the time it would normally take.

If you already own a business, this program will provide you with valuable information that may help you to improve your business.

The Business Disc is divided into two parts:

Part One: Planning Stage
The first part simulates six months of meeting with professional advisors, talking with other business owners, making decisions, and securing financing.

Part Two: First Year in Business
The second part simulates the first twelve months of operation. Certain events occur based on decisions you've made in the planning stage. Other events are based on your reactions to a variety of situations which may arise within the first year.

What The Business Disc Can Do For You; it

Provides an opportunity to test your business plan without risking actual financial loss.

Accommodates your needs, interests, and pace.

Lets you get actively involved.

Stores the information you enter on your own Data Diskette to assure confidentiality.

Goes beyond collecting information into using it.

Demonstrates the importance of exploring all aspects by simulating the use of many resources.

Handles recordkeeping in detail.

Offers the opportunity to use the program as many times as you wish until you come up with the right plan for you.

Information Covered

Major decisions you are guided through in the planning phase:
- What kind of business will you start?
- Which form of ownership is best for you?
- Where will you operate your business?
- Will you hire employees? What work hours and salary will you set?
- What are your productivity expectations?
- What insurance coverage do you need?
- How will you advertise?
- What are your estimated expenses?
- What price will you charge customers?
- How much start-up capital will you need? Where will you get the money?

VETERAN'S AFFAIRS
($'s in thousands)

Fiscal Year	Conference Report Availability	Agency Availability	Actual		
			Central Office	Field (Est.)	Total
1988	-	$1,433	-	-	-
1987	$1,233	1,277	-	-	-
1986	1,200	1,223	$ 526	$762	$1,288
1985	1,480	1,346	221	761	982
1984	1,838	1,838	645	721	1,366
1983	3,298	3,298	1,547	698	2,245

ACTUAL COSTS BY OBJECT CLASS

	Central Office	Field (Est.)	Total
1986 - Total	526	762	1,288
Compensation & Benefits	211	762	973
Travel	69	-	69
Contracts	143	-	143
All Other	103	-	103
1985 - Total	221	761	982
Compensation & Benefits	191	761	952
Travel	13	-	13
Contracts	12	-	12
All Other	5	-	5
1984 - Total	645	721	1,366
Compensation and Benefits	201	721	922
Travel	58	-	58
Contracts	134	-	134
All Other	252	-	252
1983 - Total	1,547	698	2,245
Compensation and Benefits	172	698	870
Travel	10	-	10
Contracts	1,131	-	1,131
All Other	234	-	234

CORRESPONDENCE FROM ANDREW H. FARRIS, SMALL BUSINESS DIRECTOR, GEORGIA VVLP

GEORGIA
Veterans Leadership Program, Inc.
825 Fairfield Drive
Marietta, Georgia 30068
(404) 565-8444

RON MILLER
Executive Director

ARTHUR L. HAMILTON
Employment Director

ANDREW H. FARRIS
Small Business Director

BOARD OF DIRECTORS

TOMMY CLACK, Chairman
Staff Assistant to
Director VA Med. Center

JAMES M. BLAYLOCK
Service Chief
VA Med. Center

W.R. 'MAX' CAREY, JR.
Management Consultant

MARY LOU KEENER
Attorney at Law

ROBERT G. KNOWLES
Public Relations
Consultant

MICHAEL N. MANTEGNA
Attorney at Law

JAMES E. MATHIS
Certified Public
Accountant

DEL T. PERKINS
Team Leader
Vet Center

RICHARD REBER
Aviator

RUBY SELLERS
Registered Nurse

PAST CHAIRMEN

R. KEEGAN FEDERAL, JR.
1983-1984

MARY LOU KEENER
1984-1986

April 28, 1987

Mr. James Abdnor, Administrator
U.S. Small Business Administration
1441 L Street, N.W.
Washington, DC 20416

RE: VBRC Program and Funding

Dear Mr. Abdnor:

In March 1983, the SBA published interim quidelines for the formation of a Veterans Business Resource Council (VBRC) program.

> The ROLE of the VBRC Program, according to these guidelines was: "...one of several priorities for our field offices."
>
> The CHARTER, according to these guidelines, was: "Establishing of Veterans Business Resource Councils will create organizations, which, acting as partners with SBA in this effort, and providing a resource tool dedicated to assisting veterans, will meet the perceived needs."

In July 1985, Senator Rockefeller, "on behalf of himself, Mr. Kennedy, Mr. Kerry, Mr. Mathias, Mr. Specter and Mr. Murkowski, (proposes) an amendment numbered 527". "The purpose of this amendment is to assist our Nation's veterans, particularly Vietnam-era veterans, start small business enterprises or expand those currently in existence."

In addition, this amendment stated:

> "(b) Therefore, the Congress urges the Small Business Administration -
>
> (1) to evaluate the effectiveness of the Veterans Business Resource Councils which are currently operating and recommend improvements in their operations;
>
> (2) to develop guidelines to assist in the establishment of Veterans Business Resource Councils; and

> (3) to work with the remaining States and interested organizations to encourage the establishment of Veterans Business Resource Councils in those States."

Further, according to the original SBA interim guidelines:

> "SBA and ACTION have entered into an agreement to have the VVLP (Vietnam Veterans Leadership Program) assist SBA nationally and locally develop small business opportunities for Vietnam Veterans.
>
> Area where SBA and VVLP will cooperate:
>
> --Serve on SBA's Veterans Business Resource Councils and assist in their formation and management."

One of the provisions of the original interim guidelines was:

> "SBA Central Office will consider making a $2,000 grant to a council once fully established, as seed money for Council operations, activities, administrative expenses specifically related to small business development, training, advocacy and business networking for veterans."

In January of 1986, Mr. Billy R. Wells, Atlanta District Director of the SBA, in conjunction with the Georgia VVLP, sent letters to members of the Georgia, Atlanta, veterans, government and business communities, informing them of the SBA's and VVLP's joint intention to form the Georgia VBRC.

The first meeting for this new VBRC was held in March 1986, with representatives from

- Georgia Department of Veterans Affairs,
- Georgia Department of Labor,
- Georgia Secretary of State's Office,
- Veterans Administration,
- Georgia VVLP,
- The SBA,
- Georgia State University's Small Business Development Center,
- Georgia Power Company,
- Coca-Cola, and
- a number of veteran businessmen and business owners.

Georgia VBRC meetings were held monthly between March and November, 1986, acting to:

1. Adopt a set of By-laws (attached)
2. Formulate and approve a Statement of Objectives (attached)
3. Elect a slate of officers
4. Comply with SBA guidelines in order to request the initial $2,000 grant for funding.

In August of 1986, Mr. Wells requested such funding from the SBA Central Office. (Attached)

Mr. Abdnor, as of this date, this funding request still has not been fulfilled by the SBA. Because of this, the planning and execution of projects by the Georgia VBRC is at a standstill.

One of the primary objectives, or projects, of the Georgia VBRC is to develop, publish and distribute a Georgia Veteran-Owned Business Directory. It is our hope that this Directory can serve as a model for other VBRC's, with the long range goal of publishing a National Veteran-Owned Business Directory.

Without the initial SBA grant, we cannot begin this project. We have no monies for mailing, surveys, data collection, assembly, computer time or to engage resource assistance.

In view of the cited references from the Congress and the SBA, and...

...in view of the Congressionally noted failures of the SBA to allocate Congressionally appropriated monies designated for "Veterans Outreach and Training", (see Congressional hearings: Committee on Small Business, United States Senate, November 1985; Committee on Small Business, House of Representatives, May 1986)...

then the actions, or lack of action, by the SBA on behalf of Vietnam-era veterans, especially as evidenced by the VBRC Program, can only be deemed an abject record of failure.

The inability of the SBA to grant $2,000 to a VBRC request is incomprehensible, especially in light of the superior record of small business achievements by the Georgia Vietnam Veterans Leadership Program.

Mr. Abdnor, if the SBA's treatment of the Georgia VBRC is, in any way, indicative of their management of this potentially beneficial program on a national basis, then we can only call this failed effort a tragedy for America's veterans.

Your review of this VBRC Program at a national level should certainly be considered a top priority.

Sincerely,

Andrew H. Farris
Small Business Director
Georgia VVLP

Chairman
Georgia VBRC

AHF:ch
Enclosures

GEORGIA
Veterans Leadership Program, Inc.
825 Fairfield Drive
Marietta, Georgia 30068
(404) 565-8444

RON MILLER
Executive Director

ARTHUR L. HAMILTON
Employment Director

ANDREW M. FARRIS
Small Business Director

BOARD OF DIRECTORS

TOMMY CLACK, Chairman
Staff Assistant to
Director VA Med. Center

JAMES M. BLAYLOCK
Service Chief
VA Med. Center

W.R. 'MAX' CAREY, JR.
Management Consultant

MARY LOU KEENER
Attorney at Law

ROBERT G. KNOWLES
Public Relations
Consultant

MICHAEL M. MANTEGNA
Attorney at Law

JAMES E. MATHIS
Certified Public
Accountant

DEL T. PERKINS
Team Leader
Vet Center

RICHARD REBER
Aviator

RUBY SELLERS
Registered Nurse

PAST CHAIRMEN

R. KEEGAN FEDERAL, JR.
1983-1984

MARY LOU KEENER
1984-1986

4 May 1987

Honorable Nicholas Mavroules,
Chairman
United States House of Representatives
Committee on Small Business
Subcommittee on Procurement, Innovation and
Minority Enterprise Development
B-363 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Mavroules:

Thank you for the invitation to testify at this hearing on small business opportunities for Veterans.

In reference to your letter, and the "significant decline in the level of (SBA) services to veterans over the past two years" - as highlighted by your figures of a 56% decline in the number of veterans counseled between 1985 and 1986 - I can only draw the following conclusion.

First, given that the average age of Vietnam veterans is 40, and that men start new businesses between the ages of 35 and 45, then it should follow that the number of veterans reaching the age to begin new businesses should be reaching a peak.

If this conclusion of a peak number of Vietnam and era veterans is, both, logical and true, then one must further conclude that the SBA's outreach effort, to veterans, has fallen short of its purpose.

The reasons for this decline in veteran's counseled and composition of SBA clients must be attributed to:

1. Mr. Heatherly's emphasis on disbanding the SBA,
2. The "revolving door" on the Office of Director of the SBA's Veterans Affairs Department,
3. A total lack of well-thought and executed programs designed to meet veteran small business needs,

(Formerly GEORGIA VIETNAM VETERANS LEADERSHIP PROGRAM)

4. The failure of the SBA to spend designated "Veterans Outreach and Training" monies, and

5. The total neglect of the SBA for it's own Veterans Business Resource Council Program.

Mr. Chairman this record of in-action, by the SBA on behalf of veteran small business initiatives, can only be deemed a record of abject failure.

The evenutal consequences of this failed effort may come to be recorded as a tragedy for America's veterans, and the failure to utilize the Veteran as a valuable business resource, may in the long-run, be tragic to America's economic future.

For the record, Mr. Chairman, please note that these are not simply one disgruntled veteran's comments, rather these are comments based on one veteran's 4½ years of service to veteran small business initiatives.

Since appearing before this august body one year ago, the small business initiative of the Georgia Veterans Leadership Program has:

- conducted 44 small business workshops, attended by over 1300 Vietnam era veterans in 5 cities in 2 states,

- these workshops have been offered at an urban university, at community colleges, in the rural-South, in the depressed coal-valley's of Southwest Virginia, in Veterans hospitals and even to veterans in prison.

All of these workshops have been presented with the notable non-support and non-attendance of the SBA, though they were accorded the opportunity to participate.

The failures of the SBA, on behalf of veteran small business opportunities, should be debated nor studied no longer.

Mr. Chairman, I respectfully submit, to you, that it is time to place the responsibility for the management of veteran's small business programs, where they will be most purposefully managed, and that is in the hands of America's veterans.

It is time to call upon America's veterans to serve their Country once more, this time with the mission to launch Veteran-owned businesses, in a campaign to build-up America's economy and to insure the strength of the Country's economic future.

History will record that the hallmark of the Vietnam veteran is the instincitve act to help one another, whether on the battlefield or in life.

This bond of trust remains as strong today as it was during our time of service, and I can assure you that today America's veterans would willing serve together in an effort to help each other begin new businesses.

It is time, Mr. Chairman, to provide the veteran this opportunity to assist their own small business initivatives.

Sincerely yours;

Andrew H. Farris
Small Business Director
Georgia Veterans Leadership Program

cc: Paul Comacho
    Frank Falkowski

JOHN KERRY
MASSACHUSETTS

COMMUNICATION FROM MASSACHUSETTS SENATOR
JOHN F. KERRY

United States Senate
WASHINGTON, DC 20510

April 6, 1987

Hon. Nicholas Mavroules
Chairman, Subcommittee on Procurement,
  Innovation, and Minority Enterprise Development
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Dear Nick:

I want to commend you on taking the initiative to hold this important hearing today to review small business programs for veterans. I regret that, due to prior commitments, I am unable to be with you this morning to add my voice in support of your efforts.

As you know, I chaired a hearing in the Senate Small Business Committee on November 13, 1985 to conduct oversight of the Office of Veterans Affairs of the Small Business Administration. That hearing, and a survey of SBA offices conducted prior to the hearing by my staff, revealed serious deficiencies in the services being offered to veterans. Many VAO positions were not filled, and many SBA offices offered no special services for veterans at all.

I am concerned that the mandate of "special consideration" for Vietnam veterans is still not being fulfilled by the SBA. In particular, I am troubled by the fact that the SBA has failed to hire 10 VAO's, as directed by Congress last year. This is not an adequate response to the concern expressed by Congress.

I am very pleased that you are holding this hearing to follow up on our earlier efforts in the Senate, and your own in the House. I hope that this hearing will result in a clearer definition of "special consideration" for veterans, and in implementation of that concept by the SBA.

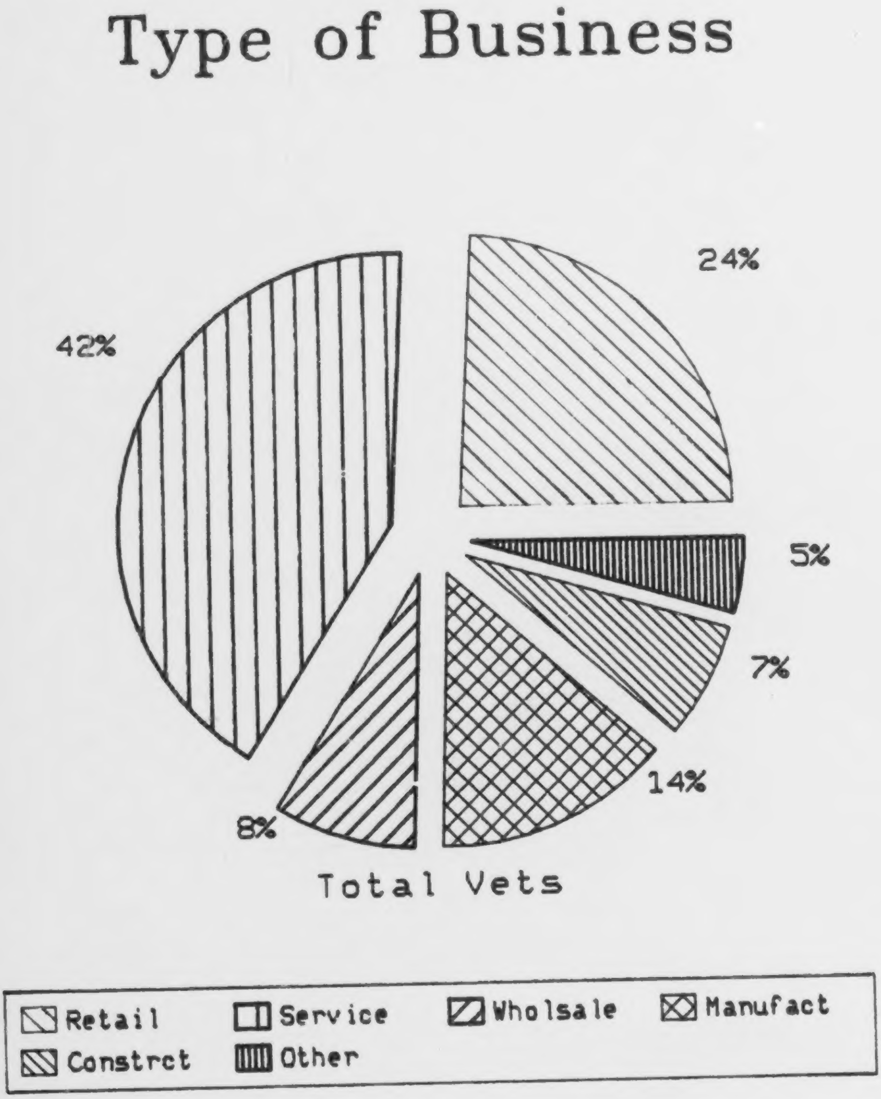
With best regards,

Sincerely,

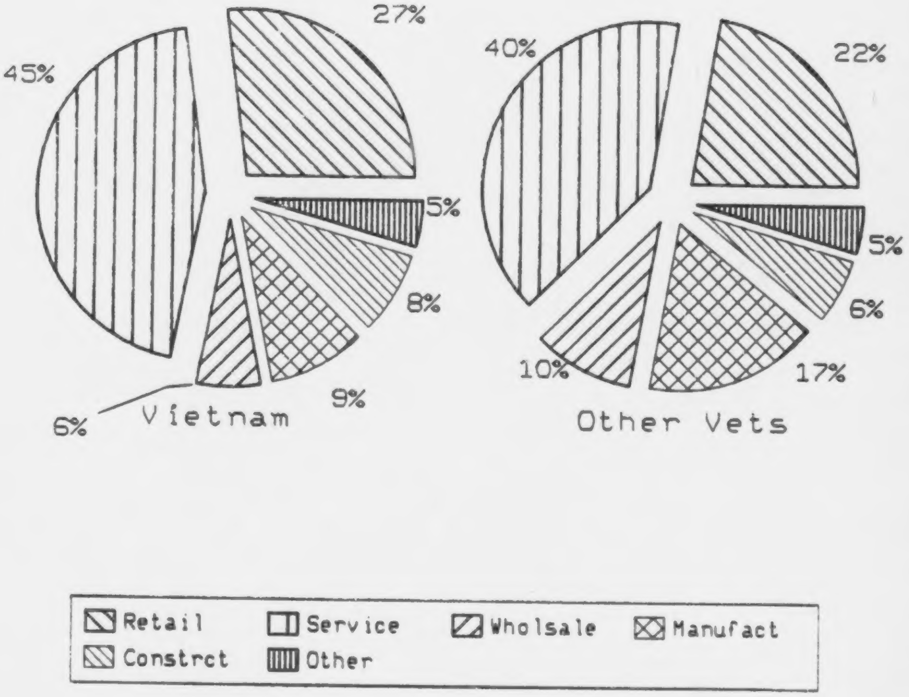
John F. Kerry

JOHN F. KERRY

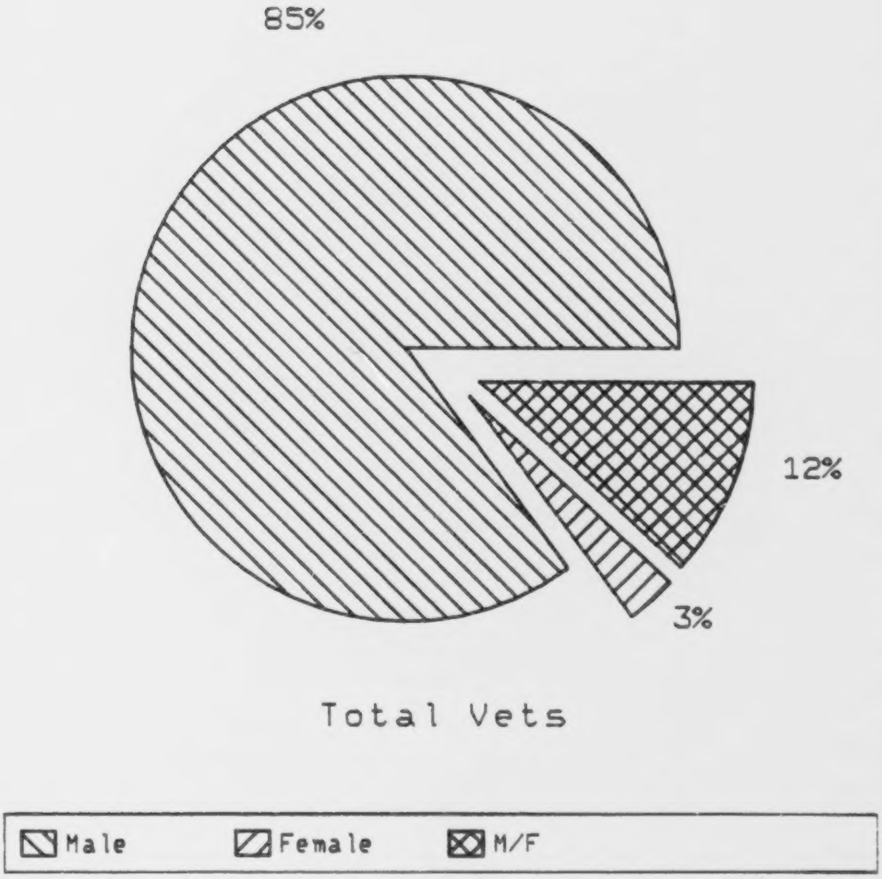
ATTACHMENTS TO MR. JAMES L. KING'S TESTIMONY



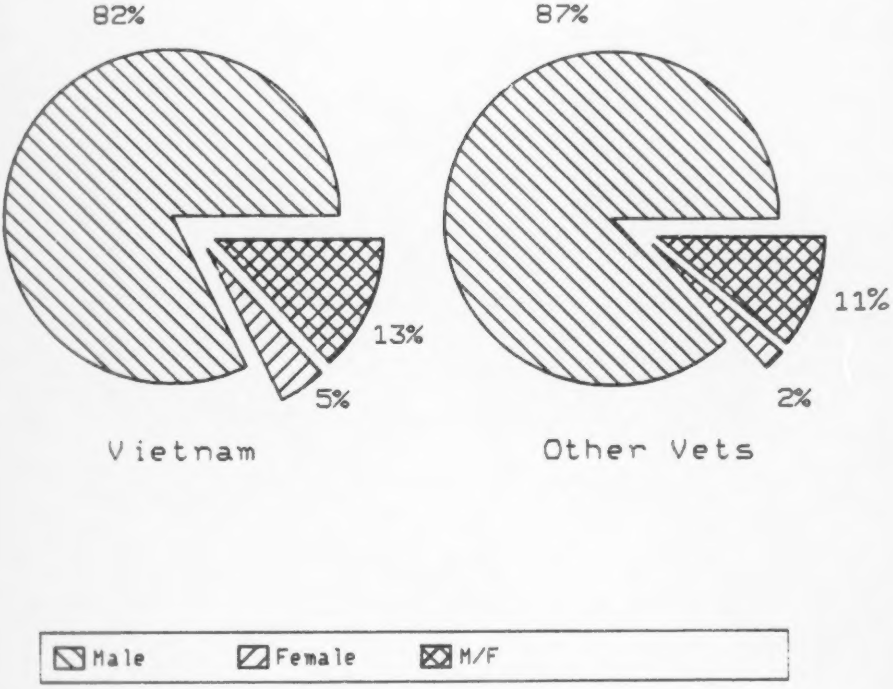
Type of Business



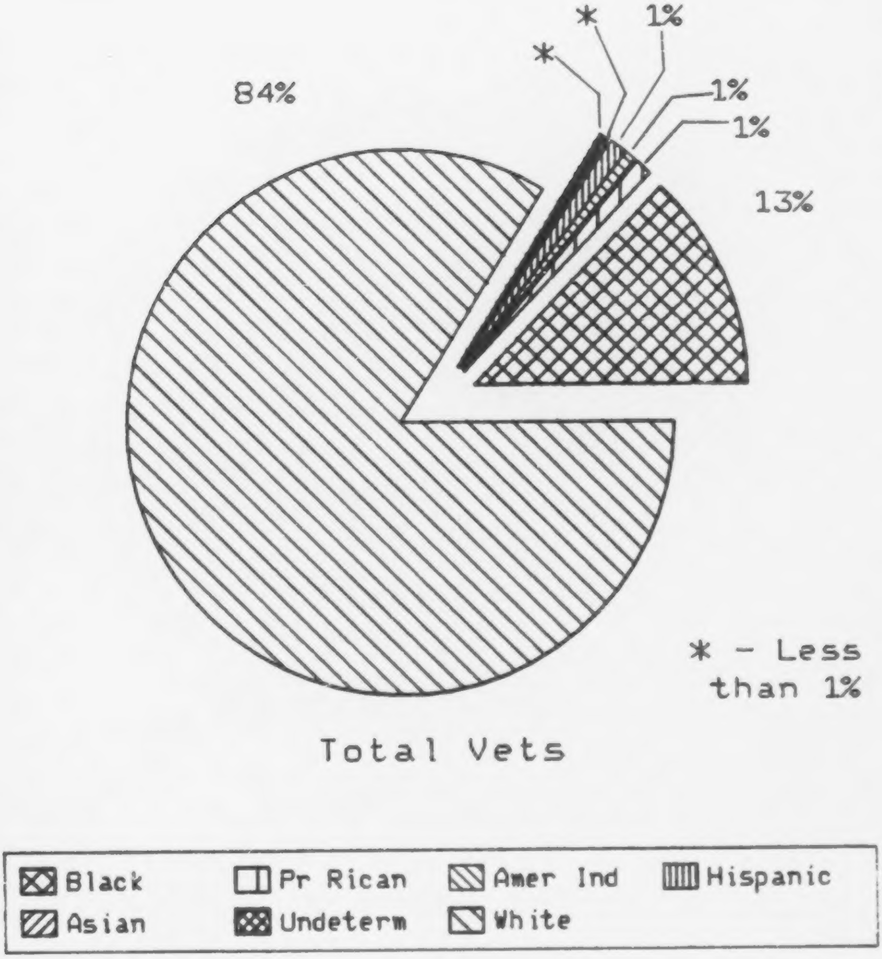
Ownership Sex



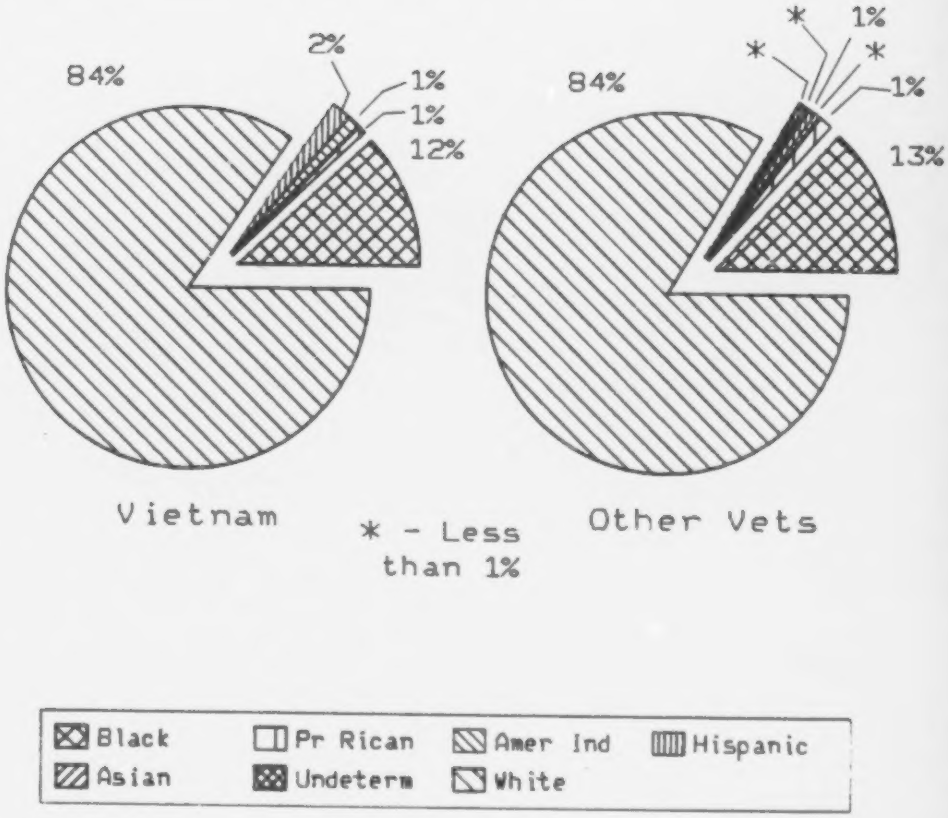
Ownership Sex



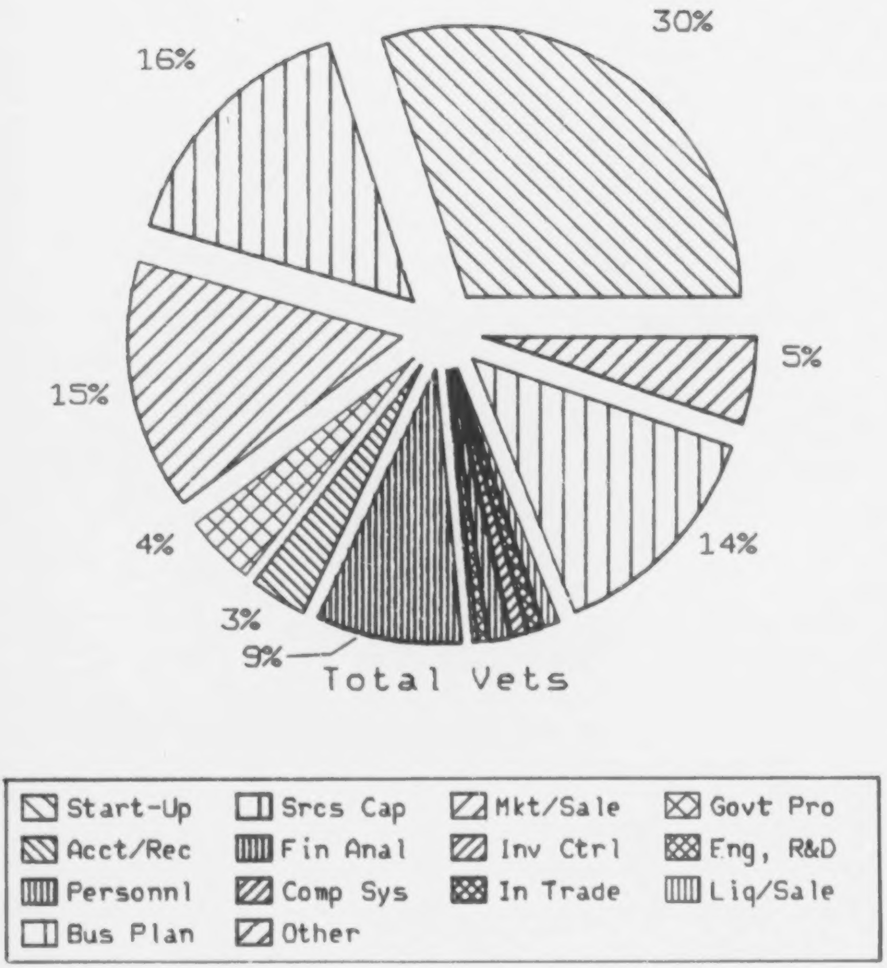
Minorities


84%
*
*
1%
1%
1%
13%
* - Less than 1%
Total Vets
Black
Pr Rican
Amer Ind
Hispanic
Asian
Undeterm
White

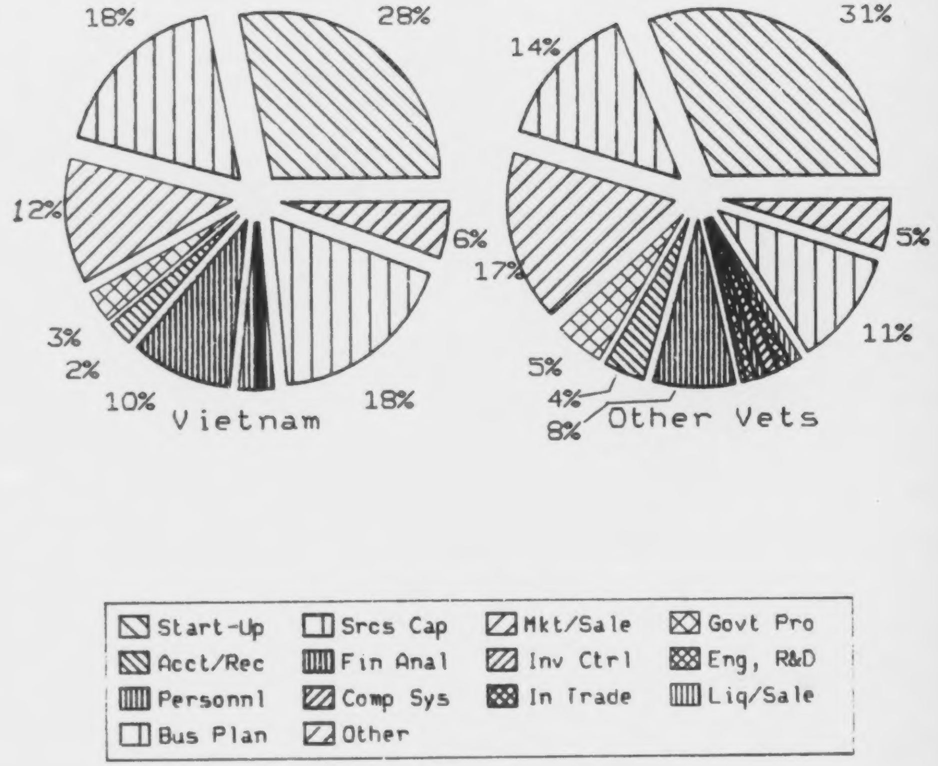
Minorities


84%
2%
1%
1%
12%
84%
*
1%
*
*
1%
13%
Vietnam
* - Less than 1%
Other Vets
Black
Pr Rican
Amer Ind
Hispanic
Asian
Undeterm
White

Areas of Counseling



Areas of Counseling



Statement of

James G. Bourie

National Service Director

AMVETS

Before the

Committee on Small Business

Subcommittee on General Oversight and the Economy

U.S. House of Representatives

on the

Small Business Administration's Veterans' Programs

May 6, 1987

Mr. Chairman and members of the Subcommittee: The American Veterans of World War II, Korea and Vietnam (AMVETS) appreciates the opportunity to testify before you today on the Small Business Administration's veterans' programs.

On May 6th of last year this committee held an oversight hearing to look into the SBA's veteran program. In our prepared testimony AMVETS stated the value of small businesses in this country and how veterans, especially Vietnam Era veterans are at a time when one decides to start a small business. We further related the rather dismal history of SBA in upholding its mandate to provide veterans "with service-connection" as required by the Small Business Act of 1974 (P.L. 93-237). We related that, under the direction of Administrator Sanders, and others, how things began to improve for veterans. That real progress was being made! We in the veteran community felt really a part of the direction and tempo of the agency's veteran program. Things were looking up, at least for a short time.

During that hearing, the SBA was represented by Marshall Parker, at that time the ADA for Special Programs and certainly one of the driving forces behind the establishment of a veteran program. Nonetheless, Mr. Parker stated that at the time: a new Veterans' Affairs Director was appointed; veterans in business research projects; VAO training; veteran training and management assistance; SBA liaison with local governments and

Veterans' Service Organizations; priority loan processing for veterans; recitation of veteran loan activities; encourage of VBRCs and other activities all directed at assisting the veteran.

Mr. Chairman, since that time the Veterans' Affairs Officer of the SBA has been in a state of flux. A new director is in charge; plus the agency has a new administrator whose support of veterans' programs is not yet known. In sum, some for service-connection project little veterans' programs progress is being made. Veterans' programs are at a standstill--nothing, in our estimation, of substance is being done; no progress is being made. We hear little from the agency or its Veterans' Affairs Officer. There has been only one meeting of the Veterans' Advisory Committee so far and we have no idea when future meetings will take place. Our field staff also hears little from Veterans' Affairs Officers at the local level. About the only things we are aware of is the administration's proposal to eliminate direct lending activities for veterans and other groups. AMVETS, of course, opposes such a move and urges Congress to retain special direct lending programs to veterans.

To conclude Mr. Chairman, AMVETS sincerely wishes to be able to come before you and state that since the last hearing the SBA's veterans' program is moving forward on a positive track. But it is not, it is off the track. Our greatest concern is that we've regressed to the pre-1980 veteran program days.

That all the progress made thus far is for naught and that the SBA indeed cares little for veterans' programs and its mandate to provide veterans with "special consideration".

Mr. Chairman, thank you for allowing AMVETS to express its views.

STATEMENT, WITH ATTACHMENTS, OF PAUL R. CAMACHO, PH.D., ASSOCIATE DIRECTOR, WILLIAM JOINER CENTER

The Commonwealth of Massachusetts
University of Massachusetts - Boston
Downtown Center
Boston, Massachusetts 02125

The William Joiner Center for the Study of War and Social Consequences

May 12, 1987

The Honorable Nicholas Mavroules, Chairman
Subcommittee on Procurement, Innovation,
and Minority Enterprise Development
Room B 363 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Mavroules,

I take this opportunity to express my appreciation for the hearing which you provided on May 6th, and respectfully submit this letter and the enclosures for inclusion into the record. This is the second year that a Hearing has been held in connection with small business opportunities for veterans within a day of the Speaker of the U.S. House of Representatives Annual Conference on the Concerns of Vietnam Veterans. Your announcement concerning provisions for a Hearing during this time next year has provided us with hope that the situation will change.

As you are aware, small business opportunities for Vietnam veterans has been a principal topic at the Speaker's Conference for several years. This is a reflection of the interest of the community, and an expression of their dissatisfaction with the quality of services provided by the SBA. It is the consensus of the Conference participants that there exists a gulf between the mandates of the Congress and the performance of the SBA in connection with this matter.

To summarize the situation:

1. The SBA has not provided for veterans as mandated by the Congress years ago. The SBA has not sufficiently focused attention on outreach to Vietnam veterans, or provided any worthwhile meaning to the term "special consideration".

2. During 1984 the SBA commissioned 13 studies regarding opportunities for, and the status of, veterans in small business. Virtually all of those studies had interesting aspects to them which were relevant to the situation. Yet no one I know has any knowledge if any of the recommendations of these 13 studies have in fact been implemented, or even considered.

During 1984 I was engaged as the senior investigator with the Boren study (one of the thirteen studies commissioned by the SBA). During 1985 - 1986 I had the opportunity to examine several of the other studies and surveys. The datum indicate that the majority of veterans engaged in, or aspiring to enter small business, are located in the "micro business sector". There is no question that they require, and are interested in obtaining management training. This is not news to the SBA. Yet they have failed to meet this demand during the last several years. The methods they have employed to address this training need have been (for a variety of reasons) very inadequate. Consequently veterans have turned to community based programs such as the Vietnam Veterans Leadership Program, the SBDCs, or state veteran service programs.

I would like to emphasize that there exists an excellent opportunity for the SBA to rectify this lack of service by implementing a community based comprehensive management training program across all Regions. There are several VVLP, SBDC, state agencies, and university based centers capable of implementing such a project. For example, outstanding programs have been conducted in Georgia, Massachusetts, New York, New Mexico, South Carolina, Texas, and elsewhere. A few of these have been cooperative partnership projects. All of them have demonstrated more than reasonable success. The SBA should strongly pursue this avenue of approach and initiate RFPs for this kind of endeavor. In my judgement at least a million dollars should be provided for this in FY 1988. Vietnam veterans look forward to working with Richard Ellis of the SBA Office of Veterans Affairs to improve the delivery of services to veterans who are currently engaged in, or aspire to enter into small business.

In behalf of the Joiner Center and those of us involved with the Speaker's Conference,

Sincerely,

Paul R. Camacho

Paul R. Camacho, Ph.D.
Associate Director

Enclosures

The Status of Massachusetts Vietnam Veterans in Small Business

A Research Project of the
William Joiner Center
for the Study of War and Social Consequences

Conducted in conjunction with
The Governor's Veterans' Small Business Development Program

September 25, 1986

Paul R. Camacho Ph.D.

Associate Director
William Joiner Center

The William Joiner Center was contracted by the Office of the Commissioner of Veterans Services to design a assistance program for veterans with an interest in small business. In connection with the overall effort the William Joiner Center mailed a questionnaire which reached 939 Vietnam and Vietnam Era veterans across the Commonwealth. There was 22% (N=210) response rate. The questinnaire was divided into four basic sections, (1) general information, (2) questions for those who aspire to enter into small business, (3) questions for those currently engaged in a small business endeavor, and (4) an opinion section pertaining to the kinds of information assistance the veterans would appreciate from the Governor's Veterans Small Business Development Program.

Section I
Questions of General Information

1. Era served in by veteran: of 210 respondents:

	N	Pct
WWII	0	0.0%
Korea	1	0.5%
Post Korea	11	5.3%
Vietnam Era only	76	36.4%
Vietnam Veteran	121	57.9%
Post Vietnam Era	0	0.0%
Total	209	100.0%

2. Age: of 208 respondents:

	N	Pct
<=36yrs	28	13.5%
37-38yrs	48	23.1%
39-40yrs	62	29.8%
41-42yrs	29	13.9%
>42	41	19.7%
Total	208	100.0%

3. Educational levels: of 207 repondents:

Less than High School	6	2.9%
High School Graduates	52	25.1%
Two years College or less	82	39.6%
College Graduate or better	67	32.4%
Total	207	100.0%

4. Membership in trade or professional Associations:

	Trade Associations		Professional Associations	
	N	Pct	N	Pct
yes	53	29.6%	68	38.0%
no	121	67.6%	111	62.0%
Total	179	100.0%	179	100.0%

5. Receive/subscribe to professional journals, newsletters, etc.

	Newsletter		Trade Journal	
	N	Pct	N	Pct
yes	110	58.5%	118	61.5%
no	78	41.5%	74	38.5%
Total	188	100.0%	192	100.0%

Section II
Questions for those who Aspire to Enter into Small Business

6. Characterization of interest in small business.

Interested in a part time small business venture (to supplement full time employment:
N= 26 representing 25.7%

Interested in entering small business as a full time venture.

N= 75 representing 74.3%

7. Describe the major products or services you care to deliver. The descriptions contained in the 84 responses varied widely; a few are listed below.

small variety store
engineering software
electrical contracting
restaurant
PVC pipe furniture
home building
tax service
real estate management company

8. Time frames for those desiring to enter small business.

	N	Pct
within 2 years	43	49.4%
within 12 months	14	16.1%
within 9 months	1	1.1%
within 6 months	8	9.2%
within 3 months	2	2.3%
imminently	19	21.8%
Total	87	100.0%

9. Have you selected a location. The total number of respondents: 90.

	N	Pct
I have a general location (city/town)	61	67.8%
I have a particular address in mind	13	14.4%
I am experiencing difficulty	16	17.8%
Total	90	100.0%

10. Preference in entering small business. The total number of responses = 103.

I would rather:

	N	Pct
buy an existing business	16	15.8%
invest in a franchise	9	8.9%
start completely from scratch	73	72.3%
(respondent checked a combination)	3	3.0%
Total	101	100.0%

11. The degree of awareness among veterans of governmental agencies which provided services in the area of small business is very low. Though 61.9% and 50.8% of the respondents had heard of the SBA and/or SCORE (respectively), the percentage of those aware of other agencies was well below 10%.

AGENCY	N Total	Heard of	Never Heard of	Applied for Assist	Received the Assist	Was Refused Assist
sba	121	75	17	5	5	19
sbdc	102	5	93	1	1	2
somba	102	5	94	1	1	1
sbic	101	6	95	0	0	0
mesbic	100	2	98	0	0	0
score	116	59	44	3	5	5

12. As for knowledge of existing programs more veterans were aware of the direct (33.6%) and quarantee (31.4%) loans than other programs. These percentages indicate that there is a tremendous need for outreach to veterans as a population in need.

PROGRAM	N Total	Heard of	Never Heard of	Applied for Assist	Received the Assist	Was Refused Assist
Direct Loan	113	38	63	2	0	10
Guar Loan	108	34	64	2	0	8
7a11 prog	100	3	95	0	0	2
503 prog	101	6	93	0	0	2

SECTION III
QUESTIONS FOR THOSE CURRENTLY ENGAGED IN A SMALL BUSINESS EFFORT

13. Years of operation in the current small business effort: of 122 repondents:

	N	Pct
1) under 1 year	8	6.6%
2) 1-2 years	22	18.0%
3) 3-5 years	24	19.7%
4) over 5 years	68	55.7%
Total	122	100.0%

14. What is the legal formation of your present business: of 121 respondents:

	N	Pct
1) none	2	1.7%
2) sole-proprietorship	57	47.1%
3) corportation	53	43.8%
4) partnership	8	6.6%
5) other	1	0.8%
Total	121	100.0%

15. When did you start this business: of 120 respondents:

	N	Pct
before 1977	38	31.7%
between 1/77 - 12/78	13	10.8%
between 1/79 - 12/80	15	12.5%
between 1/81 - 12/82	20	16.7%
between 1/83 - 12/84	14	11.7%
between 1/85 - 4/1986	20	16.7%
Total	120	100.0%

16. How did you aquire ownership of this business: of 117 respondents:

	N	Pct
1) inherited	2	1.7%
2) original founder	88	75.2%
3) purchased	18	15.4%
4) other	9	7.7%
Total	117	100.0%

17. Sources financing: of 118 respondents. Respondents checked one or more of the available choices (percentage reflects a choice of that catagory base on N = 118; thus the totals and percentages here are greater than normal rounding error.

	N	Pct
1) family or friends	27	22.9%
2) personal savings	85	72.0%
3) a governmental agency	0	0.0%
4) venture capital	1	0.8%
5) former owner financed	6	5.1%
6) commercial bank loan	35	29.7%
7) other	15	12.7%

18. What was the total amount of your initial investment? Of 105 respondents, the total investment in small business made by the veterans who responded to the questionnaire amounted to $3,346,650.00.

		N	Pct
1)	<=5k	43	41.0%
2)	>5-<=10k	14	13.3%
3)	>10-<=20k	14	13.3%
4)	>20-<=50k	18	17.1%
5)	>50-<=100	8	7.6%
6)	>100-<=15	4	3.8%
7)	>150-<=25	3	2.9%
8)	>250K	1	1.0%
	Total	105	100.0%

19. How many people do you currently employ (self included)? Of 118 respondents:

classification	N	Pct
self	24	20.3%
2-5	59	50.0%
6-12	26	22.0%
13-25	6	5.1%
>25	3	2.5%
Total =	118	100.0%

20. What percentage of your gross total family income is derived from your small business effort. Of 113 respondents.

	N	Pct
under 20%	24	21.2%
between 20 and 40%	9	8.0%
between 40 and 60%	11	9.7%
between 60 and 80%	13	11.5%
over 80%	56	49.6%
Total	113	100.0%

21. How many years of general business experience did you have when you began your present business effort. Of 116 respondents:

	N	Pct
1) 2 yrs	70	60.3%
2) 2-5 yrs	7	6.0%
3) 6-10 yrs	24	20.7%
4) over 10	15	12.9%
Total	116	100.0%

22. How many years of relevant business experience in the field, trade or profession you are involved in did you have when you started this business. Of 117 respondents:

		N	Pct
1)	2 yrs	37	31.6%
2)	2-5 yrs	27	23.1%
3)	6-10 yrs	26	22.2%
4)	over 10	27	23.1%
	Total	117	100.0%

23. Looking back on it, how prepared to succeed in this business do you think you were when you started it? Of 119 respondents:

	N	Pct
1) very well prepared	10	8.4%
2) well prepared	30	25.2%
3) somewhat prepared	39	32.8%
4) poorly prepared	19	16.0%
5) very poorly prepared	21	17.6%
Total	119	100.0%

24. If you had it to do over again, what would you do differently to insure the success of your venture?

A total of 86 respondents answered this question. Naturally there was a considerable variance in the length and content. Responses are simply listed here in key terms.

	N	Pct
no	10	11.6%
yes	5	5.8%
capital	20	23.3%
financing	5	5.8%
management	7	8.1%
planning	12	14.0%
accounting	2	2.3%
marketing	4	4.7%
pricing	2	2.3%
location	1	1.2%
other	18	20.9%
Total	86	100.0%

SECTION IV
QUESTIONS CONCERNING OPINIONS AND PREFERENCES

25. Assuming you had to choose, which consultant service would you need more? Of 198 responses:

1) Assistance in your line line of business?	80	40.4%
2) Assistance in general business management?	114	57.6%
(respondent checked both)	4	2.0%
	198	100.0%

26. Please list the kinds of skills you would like presented at the classes. This was an open ended question, utilized as a potential check on similar closed questions. The following is a list of key words

location
accounting
ordering
taxes
planning
marketing
bookkeeping
estimating
pricing
management
cash flow
expansion
capital
financing
billing
inventory

27. Which kind of a seminar series cycle would you rather attend? Of 194 respondents:

One which focused on:

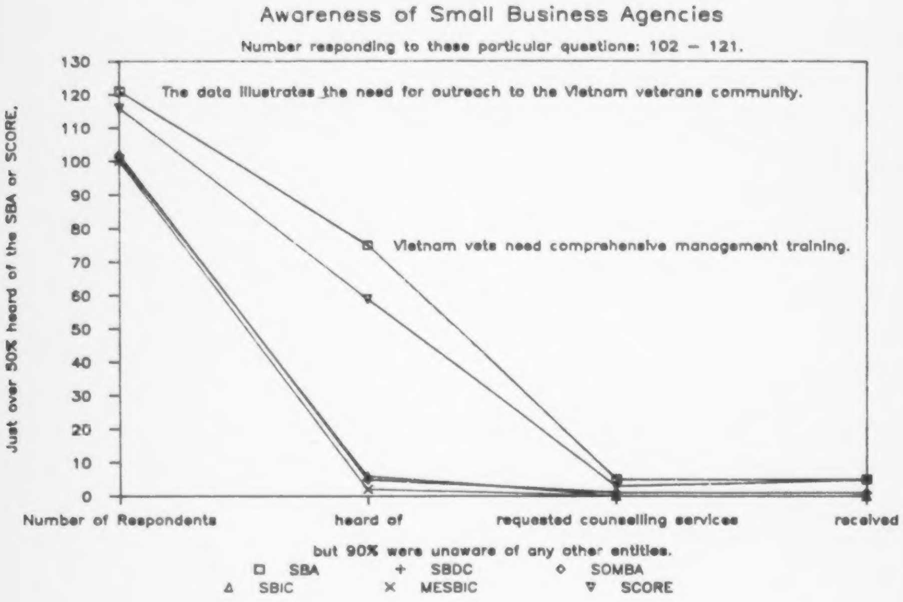
	N	Pct
1) start up problems only	14	7.2%
2) raising investment capital only	16	8.2%
3) small business organization, i.e personnel policy, pricing, and market management	27	13.9%
4) expansion problems peculiar to an established small business	13	6.7%
5) all of the above (even if in less detail)	85	43.8%
(Respondents who checked some combination)	39	20.1%
Total	194	100.0%

28. List the priorities for your practical small business information needs on a scale of 1 to 5 (#1 being the highest, #2 the next, etc.) Responses varied as not all respondents answered each range completely.

Choices	Bplan	acct	pur	mkt	tech info	total
1st	76	22	22	42	34	196
2nd	30	45	17	47	33	172
3rd	28	38	33	37	28	164
4th	22	32	28	25	36	143
5th	16	30	67	21	37	171
total	172	167	167	172	168	846

29. Which of the following best categorizes the type of business you are in or seriously interested in starting up? Of 193 responses:

	classification	N	Pct
1)	Retailing	21	10.9%
2)	Food and/or Recreation	15	7.8%
3)	Services	72	37.5%
4)	Industrial	13	6.8%
5)	Other	45	23.4%
6)	(Respondent checked some combination)	26	13.5%
	Total	192	100.0%



Awareness of Small Business Agencies

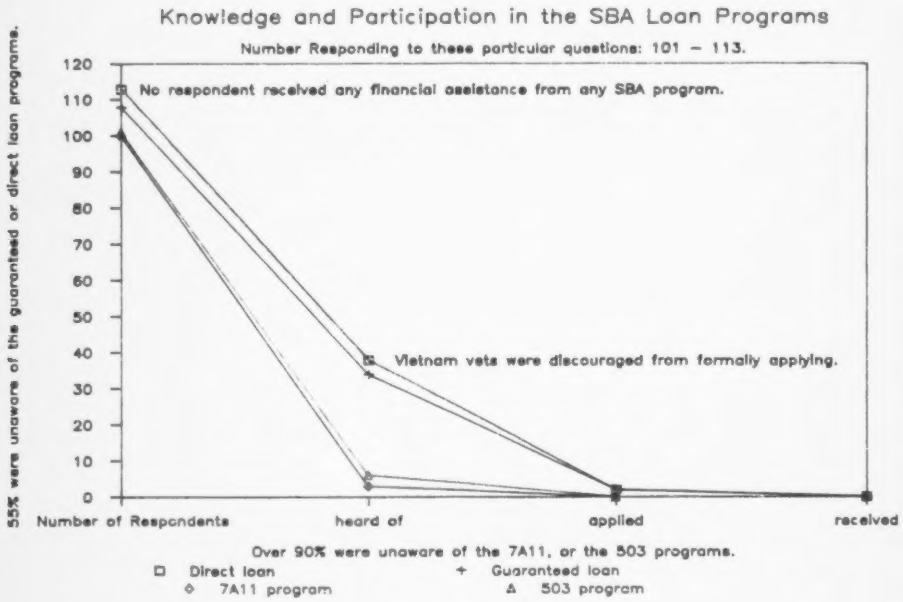
Number responding to these particular questions: 102 – 121.

The data illustrates the need for outreach to the Vietnam veterans community.

Vietnam vets need comprehensive management training.

Just over 50% heard of the SBA or SCORE,

but 90% were unaware of any other entities.



Knowledge and Participation in the SBA Loan Programs

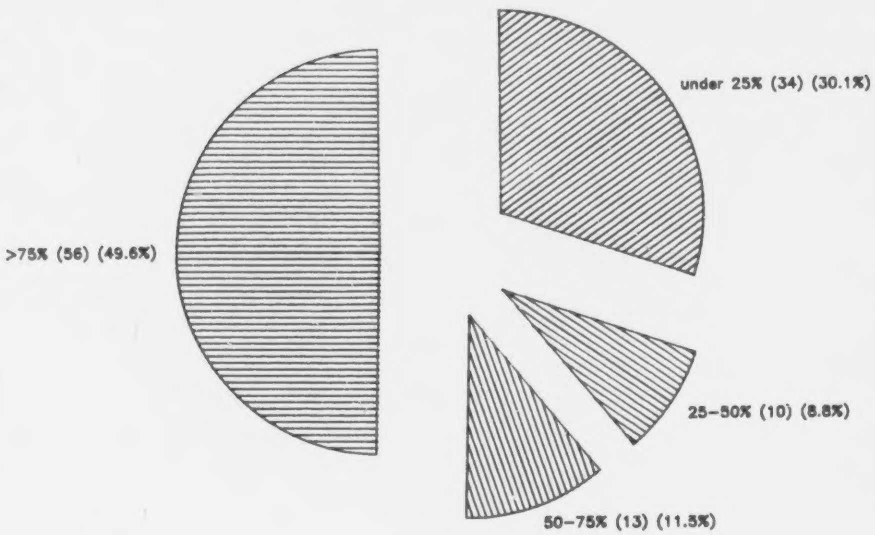
Number Responding to these particular questions: 101 – 113.

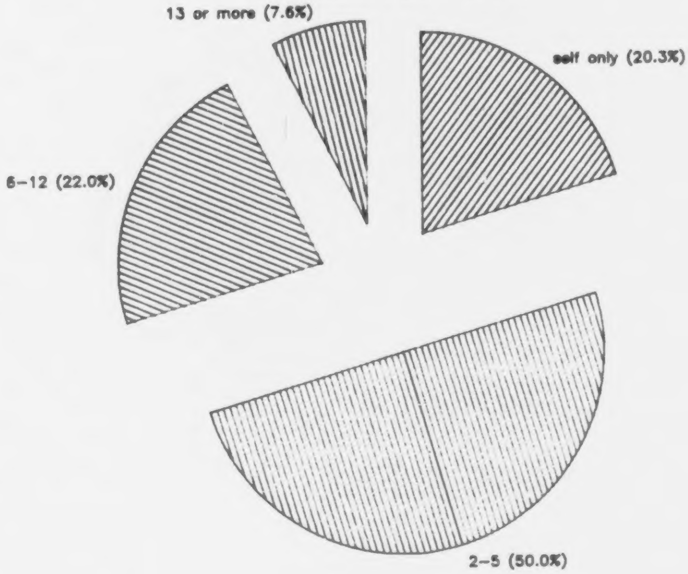
No respondent received any financial assistance from any SBA program.

Vietnam vets were discouraged from formally applying.

55% were unaware of the guaranteed or direct loan programs.

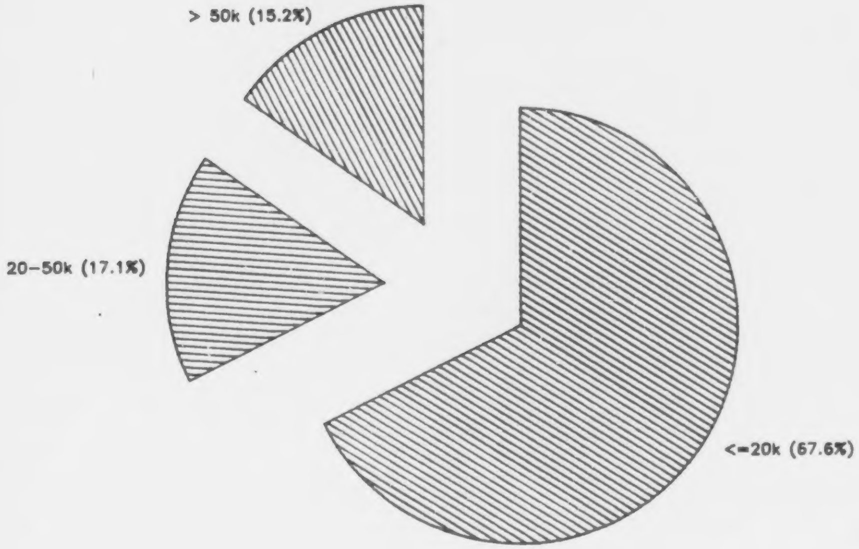
Over 90% were unaware of the 7A11, or the 503 programs.


Percent of Income From Small Business
Part Time <= 50% | Full Time > 50%


Total Number of Others Employed = 618
Pt time ventures employ 78 people

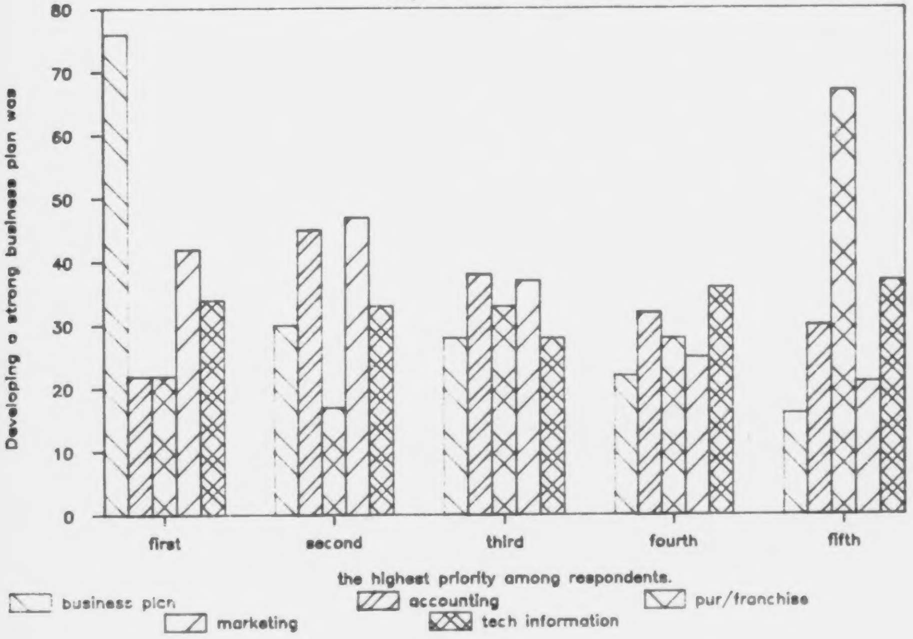
Amount of Capital at Start-Up

Vietnam Vets Currently in Business



Informational Needs

Respondents Priority Choices



University of Massachusetts - Boston
William Joiner Center for the Study of War and Social Consequences
Veterans Small Business Development Program
Harbor Campus
Boston, Massachusetts 02125

Final Status Report

Prepared for the
Office of the Commissioner of Veterans Services
in connection with the
Governor's Small Business Development Program

Al Hallenbrook
Acting Program Director

Michael Coyle
Departmental Assistant

April 3, 1987

In July, 1986 the Office of the Commissioner of Veterans Services contracted with the University of Massachusetts/Boston to design and implement the instructional component of the Governor's Veterans Small Business Development Program.

Responsibility for design and implementation of the program was delegated to the William Joiner Center for the Study of War and Social Consequences, Department of Educational Support Programs, Division of Student Affairs. The program design as outlined in the contract agreement was geared to provided small business management training to interested veterans from across the Commonwealth of Massachusetts.

The training program consisted of a series of six classroom sessions and three workshop sessions offered at various locations around the Commonwealth. Three complete six week cycles were conducted as outlined in the grant agreement.

The data submitted in this report were accumulated from attendance sheets, registration forms, exit questionnaires, and telephone surveys. The data include information on attendance, veteran status, and affirmative action status.

Information on attendance, veteran status, and affirmative action status were broken out according to the categories established below.

1. Attendance: Three categories for attendance were utilized.

    a. Completed - those who completed the course or attended four or more of the six classes.
    b. Dropouts - those who attended at least one class, but not more than three classes.
    c. No shows - those who registered but failed to attend any classes.

2. Veteran Status: Five categories for veteran status were utilized.

    a. (1) in country Vietnam veteran
    b. (2) Vietnam Era veteran

c. (3) Other Era veteran
d. (4) Recently discharged veterans
e. (5) Non veteran (spouse)

3. Affirmative Action: Four categories for affirmative action were utilized.

a. Disabled Person
b. Minorities
c. Vietnam Era veterans
d. Women

PROGRAM SUMMARY

Program Objectives

The original Outcome Objectives listed in the contractual agreement between the University and OCVS were as follows:

1 Three hundred veterans will enroll in the program.

2 Two hundred Veterans will have completed a business plan.

3 Fifty percent of the participants who are applying to the SBA for either a guaranteed or direct loan will reach the loan decision stage.

4 The program will have provided each participating class 18 hours of classroom instruction, and 12 hours of consultant services.

Accomplishments

OBJECTIVE 1. THREE HUNDRED VETERANS WILL ENROLL IN THE PROGRAM.

During the period September 1,1986 - March 31, 1987, a total of 19 small business development class cycles of six classroom sections and three workshop sections each were conducted at 13 locations across the Commonwealth. Over three hundred veterans enrolled in the program. A breakdown of enrollment figures is presented below.

TABLE I: ENROLLMENT

Total Enrollment	407
Completed program	197
Did not complete	95
Registered but attended no classes	95
Data currently unavailable	20

TABLE II: VETERAN STATUS

Vietnam	160	39.3%
Vietnam Era	150	36.8%
Other Era	17	4.1%
Recently Discharged	29	7.1%
Non Veteran Spouse	12	2.9%
Status Unknown	39	9.5%

TABLE III: AFFIRMATIVE ACTION STATUS

Disabled Persons	46	11.3%
Minorities	37	9.0%
Vietnam Era Veterans	310	76.1%
Women	19	4.6%

ACCOMPLISHMENT:

The program exceeded the first objective, 385 veterans and 12 Non Veteran Spouses, for a total of 407 participants enrolled in the program, a 35.6% increase in the original enrollment target. This attests to the interest which exists throughout the veterans community in connection with (1) small business opportunities, and (2) the attainment of small business management skills.

OBJECTIVE II. TWO HUNDRED VETERANS WILL HAVE COMPLETED A BUSINESS PLAN.

ACCOMPLISHMENT:

Two hundred veterans or 66% of those enrolled were to have left the program with a completed business plan. Based on projections from the exit questionnaires only 41.3% will have completed business plans.

Several factors may have contributed to the program's failure to meet this goal. Emphasis on recruitment during the early phases of program start-up dictated less attention be paid to the status of participants' business plans at program entry. By the end of the first cycle it became evident that the formulation of this objective was unrealistic. The lack of general business background of the participants, and the amount of management training required to produce an institutionally acceptable business plan not sufficiently anticipated or estimated.

OBJECTIVE III - FIFTY PERCENT OF THE PARTICIPANTS WHO ARE APPLYING TO THE SBA FOR EITHER A GUARANTEED OR DIRECT LOAN WILL REACH THE LOAN DECISION STAGE.

ACCOMPLISHMENT:

The success or failure of this outcome objective is undetermined at this time. All those who completed the program (attended four or more of the six classes) will receive the follow up surveys. As the loan process with the SBA is quite lengthy it may not be possible to obtain accurate data until all follow up interviews have been conducted at one, three and (pending additional funding) twelve months from completion of the program.

OBJECTIVE IV - THE PROGRAM WILL HAVE PROVIDED EACH PARTICIPATING CLASS 18 HOURS OF CLASSROOM INSTRUCTION, AND 12 HOURS OF CONSULTANT SERVICES.

ACCOMPLISHMENT:

As mentioned in the program summary a total of 19 small business development classes (6 weekly sessions per class, 3 hours instruction per session) were conducted at 13 locations (some locations were utilized twice).

In the original design provisions were made for 234 consultant service hours (4 hours, plus an additional 28 hours for minorities and women). In actuality 180 hours of consultant services were provided at 15 of the 19 classes. The attendance was so very low or non existent at several sites that these sessions were curtailed; they were not cost effective. Many of the students enrolled were working full-time jobs and maintained family commitments on the week-ends precluding their participation in the Saturday morning seminars.

Curriculum

All classes followed the curriculum outline as stated in the contract. The Joiner Center engaged the services of instructors from across the state.

> The classroom sessions included instruction on (1) criteria for the decision of self employment and the development of a small business; (2) information concerning partnerships, sole proprietorships, and corporations; (3) the development of a proper business plan; (4) the identification, selection, and evaluation of business opportunities (5) information concerning the acquisition of investment capital; (6) the establishment of proper business policies, including methods of pricing, marketing, and sales management, as well as information concerning regulations, taxes, and record keeping.

> The workshop sessions included provisions for (1) personal attention to the actual plan being prepared by the veteran, (2) additional discussion concerning investment opportunities, (3) assistance with applications for federal/state programs, with particular emphasis on the SBA guaranteed and direct loan programs, and programs especially targeting minorities. (4) assistance with the actual accounting and/or tax return procedures utilized by the veteran.

EXIT QUESTIONNAIRE

All participants were requested to complete an exit questionnaire upon completion or termination of their program . In the exit questionnaire, the respondents were asked whether the course assisted, or did not assist them, in terms of advancing their knowledge, or bank of information in connection with various facets of the training program. Thirty-five specific and closed (yes or no) questions were included in the exit questionnaire. The lowest percentage of "yes" answers (indicating they were assisted) among these 35 criteria was 36.9%; the highest percentage was 86.9%.

Several of the more significant questions and the corresponding percentage are presented below. All percentages are based on those who said yes (they were assisted). The series of questions were phrased:

This course has assisted me or has not assisted me ... (yes)...(no).

Q 16 - in justifying my entry into small business	86.9%
Q 22 - in terms of how to buy an existing business or franchise	52.1%
Q 25 - with realistic ideas pertaining to raising investment capital	80.3%
Q 30 - in connection with projecting my (future or existing) companies future	86.9%
Q 38 - with pricing practices, formulas, and expenses	65.2%
Q 39 - marketing management and sales planning	67.3%
Q 41 - production and/or inventory control	43.7%
Q 42 - regulations, taxes, and record keeping	63.0%

CRITIQUE/RECOMMENDATIONS, AND COMMENTS

The program was initiated in response to an unfulfilled need. This program was only able to partially address that need. One obvious conclusion is that an even more comprehensive, practically oriented training program is required if the population in need is to overcome the difficulties confronting them. In overall terms it is felt that the program was quite successful, and included some unanticipated benefits. The points presented below are meant to provide frank indication of problem areas which administrators of possible future programs should be cognizant of. Should the program be refunded or some other program arrangement be initiated by O.C.V.S., it is recommended:

Critique/Recommendations

1 That the training program be extended to 9 or 12 weeks, and that the Saturday sessions be dropped. The continuing educational format of scheduling one specific night per week for a semester would represent a more feasible alternative.

2 The program should be stratified according to levels of business experience. Separate classes for those already in business (between 15 and 20 percent of the participants), and those aspiring to enter business should be considered.

3 Program administrators should anticipate "bad weather" days in the overall program scheduling. This created considerable problems, and along with the holiday season broke the rhythm of several classes. In short there were instances where class sessions had breaks of two, and in some cases three weeks.

4 Mandatory orientations should be required for all instructors. Instructors used to looser academic settings were lax if not somewhat reluctant to keep records sufficient for administrative tracking. This significantly increased the workload of the program and assistant director.

5 Future program administrators should weigh the tradeoffs in connection with complete class curriculum standardization. This program allowed fluctuation within the boundaries of the weekly curriculum outline. While in some cases this enabled instructors to tailor presentations to the needs of the class, it is suspected that others brought focus to where there knowledge and teaching strength lay.

Comments

That an interest and need exits for the continuation of this type of management training program is without question. Estimations of the actual pool of Vietnam Era veterans in Massachusetts may be made from the original profile survey conducted by the Massachusetts Special Commission on the Concerns of the Vietnam Veterans. That survey was mailed to 158,909 Vietnam Era veterans in Massachusetts. Returns were gathered on 16,636 of the over 20,000 responses. Among these respondents, 4.9% or 815 veterans indicated they had approached the SBA for assistance.

An unanticipated result of the program was the initiation of a "Veterans Businessman' Network". This informal association was originated by a participant of the class which was conducted in the city of Springfield. The western (Massachusetts) Office of the Commissioner of Veterans Services, provided organizational support. The first meeting was held March 25, 1987 and was attended by 35 Vietnam veterans in business. The group plans to meet on a monthly basis. Their agenda includes provisions for guest speakers to comment on various aspect of business development. Also they are compiling a guide to various business owned and operated by Vietnam veterans for distribution.

In another area, local channel 2[illegible] (Springfield), featured a news clip participant of the Cycle I program who had successfully implemented several of the ideas gathered from his participation in the program.

In terms of broad implications, it is difficult to estimate what will ultimately may develop out of this program effort. What is certain is that the interest in small business opportunities is of increasing interest among those in the Vietnam veterans community.

SUMMARY BY CYCLE

CYCLE I

Total Enrollment	99
Completed program	53
Did not complete	19
Registered but attended no classes	23
Data currently unavailable	4

Veteran Status

Vietnam	37	37.3%
Vietnam Era	41	41.4%
Other Era	4	4.0%
Recently Discharged	6	6.0%
Non Veteran Spouse	0	0.0%
Status Unknown	11	11.1%

Affirmative Action

Disabled Persons	12	12.1%
Minorities	12	12.1%
Vietnam Era Veterans	78	78.7%
Women	5	5.0%

CYCLE II

Total Enrollment	64
Completed program	25
Did not complete	20
Registered but attended no classes	19
Data currently unavailable	0

Veteran Status

Vietnam	26	40.6%
Vietnam Era	21	32.8%
Other Era	4	6.2%
Recently Discharged	4	6.2%
Non Veteran Spouse	7	10.9%
Status Unknown	2	3.1%

Affirmative Action

Disabled Persons	8	12.5%
Minorities	9	14.0%
Vietnam Era Veterans	47	73.4%
Women	2	3.1%

CYCLE III

Total Enrollment	244
Completed program	119
Did not complete	56
Registered but attended no classes	53
Data currently unavailable	16

Veteran Status

Vietnam	97	39.7%
Vietnam Era	88	36.0%
Other Era	14	5.7%
Recently Discharged	15	6.1%
Non Veteran Spouse	10	4.1%
Status Unknown	20	8.2%

Affirmative Action

Disabled Persons	26	10.6%
Minorities	16	6.5%
Vietnam Era Veterans	185	75.8%
Women	12	4.9%

SUMMARY BY CYCLE AND SITE

CYCLE I BY SITE LOCATION

The first cycle of classes were conducted at the following locations.

Northern Essex Community College (NECC)
9/03/86
Springfield Technical Community College (STCC)
9/09/86
Quinsigamond Community College (QCC)
9/11/86
Bunker Hill Community College (BHCC)
9/18/86
New Bedford Multi-Service Center (NB)
9/15/85
Cape Cod Community College (CCCC) 9/17/86

Total Enrollment for Cycle I - 99

site	enrolled	attend	complete	% completed
NECC	27	21	14	66.6
STCC	19	16	13	81.2
QCC	7	(ID)	3	(ID)
BHCC	16	9	7	77.8
NB	23	20	13	65
CCCC	7	3	3	100
TOTALS	99	69	50	72.4

* Three participants who completed program at QCC were not included in calculation of percentage completed for cycle I.

Era of Service Breakdown:

site	vietnam	other	rec/dis	unk	nvsp	total
NECC	22	1	0	4	0	27
STCC	15	0	2	2	0	19
QCC	3	0	0	4	0	7
BHCC	12	1	2	1	0	16
NB	19	1	2	1	0	23
CCCC	7	0	0	0	0	7
TOTALS	78	4	6	11	0	99

Affirmative Action Breakdown

site	disabled	minorities	vev	women
NECC	1	3	22	2
STCC	1	3	15	2
QCC	0	0	3	0
BHCC	5	2	12	1
NB	4	4	19	0
CCCC	1	0	7	0
TOTALS	12	12	78	5

CYCLE II BY SITE LOCATION

The second cycle of classes were conducted at the following locations.

Berkshire Community College (NECC) 10/22/86
Brockton High School (BHS) 10/16/86
North Shore Community College (Bev) 10/20/86
Roxbury Community College (Rox CC) 12/01/86

Total Enrollment for Cycle II - 64

site	enrolled	attend	complete	% completed
BCC	11	6	5	83.3
BHS	16	15	8	53.3
NSCC/B	12	9	5	55.5
ROX CC	25	15	7	46.6
TOTALS	64	45	25	55.5

Era of Service Breakdown:

site	vietnam	other	rec/dis	unk	nvsp	total
BCC	7	1	0	1	2	11
BHS	14	1	1	0	0	16
NSCC/B	10	0	1	1	0	12
Rox CC	16	2	2	5	0	25
TOTALS	47	4	4	7	2	64

Affirmative Action Breakdown

site	disabled	minorities	vev	women
BCC	0	0	7	2
BHS	3	2	14	0
NSCC/B	1	0	10	0
Rox CC	4	7	16	0
TOTALS	8	9	47	2

CYCLE III BY SITE LOCATION

The third cycle of classes were conducted at the following locations.

Framingham State College (FSC) 12/22/86
Greenfield Community College (GCC) 12/30/86
New Bedford Multi Service Center (NB) 1/07/87
Northern Essex Community College (NECC) 12/02/86
North Shore Community College/Lynn (NSCC/L) 12/02/87
Plymouth Carver High School (PC) 12/22/86
Quinsigamond Community College (QUIN) 11/06/86
Roxbury Community College (Rox CC) 12/22/86
Springfield Technical Community College (STCC) 1/14/87

Total Enrollment for Cycle III - 244

site	enrolled	attend	complete	% completed
FSC	26	23	16	69.5
GCC	20	(ID)	3	(ID)
NB	31	27	25	92.5
NECC	20	14	10	71.4
NSCC/L	24	21	9	42.8
PC	29	14	10	71.4
QUIN	22	15	8	53.3
ROX CC	16	11	6	54.5
STCC	56	46	32	69.5
TOTALS	244	171	116	67.8

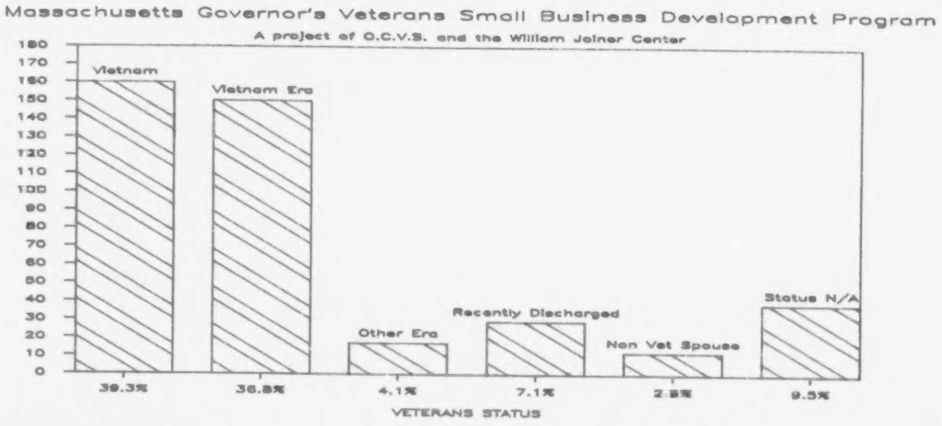
* Three participants who completed program at GCC were not included in calculation of percentage completed for cycle III.

Era of Service Breakdown:

site	vietnam	other	rec/dis	unk	nvsp	total
FSC	25	1	0	0	0	26
GCC	12	4	0	4	0	20
NB	19	4	3	1	4	31
NECC	16	1	1	2	0	20
NSCC/L	17	1	2	2	2	24
PC	22	0	1	3	3	29
QUIN	20	0	0	2	0	22
ROX CC	10	2	3	0	1	16
STCC	44	1	5	6	0	56
TOTALS	185	14	15	20	10	244

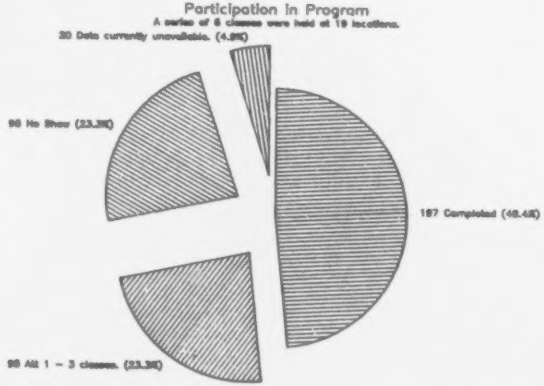
Affirmative Action Breakdown

site	disabled	minorities	vev	women
FSC	2	0	25	0
GCC	2	(ID)	12	1
NB	3	7	19	4
NECC	3	0	16	0
NSCC/L	3	1	17	2
PC	1	0	22	3
QUIN	1	0	20	0
ROX CC	3	2	10	1
STCC	8	6	44	1
TOTALS	26	16	185	12



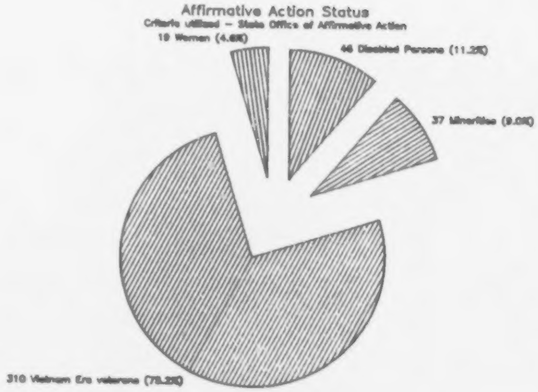
Massachusetts Governor's Veterans Small Business Development Program

A project of O.C.V.S. and the William Joiner Center



Participation In Program

A series of 6 classes were held at 19 locations.



Affirmative Action Status

Criteria utilized – State Office of Affirmative Action

OPENING STATEMENT
FOR
THE SUBCOMMITTEE ON PROCUREMENT, INNOVATION AND
MINORITY ENTERPRISE DEVELOPMENT
OF THE
COMMITTEE ON SMALL BUSINESS

ON

SMALL BUSINESS PROGRAMS FOR VETERANS

BY THE

MAY 6, 1987
THE HONORABLE CHARLES A. HAYES
FIRST CONGRESSIONAL DISTRICT OF ILLINOIS

MR. CHAIRMAN, I SALUTE YOU IN CALLING FOR THIS TIMELY AND IMPORTANT HEARING. I ALSO WANT TO COMMEND THE SPEAKER FOR HIS LEADERSHIP AND HIS ATTENTION TO THE IMPORTANT ISSUE OF SMALL BUSINESS PROGRAMS FOR VETERANS.

OUR VETERANS HAVE MADE THE GREATEST OF SACRIFICES FOR OUR COUNTRY. THEY OFFERED THEIR SKILLS AND EDUCATION, THEY INTERRUPTED THEIR CAREERS AND THEIR LIVES, AND THEY OFFERED THEIR BODIES AND SOMETIMES THEIR VERY LIVES AT THE CALL OF THEIR NATIONAL LEADERS. WE CERTAINLY OWE THEM A DEBT OF GRATITUDE. HOWEVER, THE SMALL BUSINESS PROGRAMS THAT WE CREATED TO ASSIST VETERANS ARE SET UP TO DO MORE THAN THAT. THEY ARE INTENDED TO ASSIST VETERANS IN DEVELOPING ENTREPRENEURIAL OPPORTUNITIES FOR OUR ECONOMIC SYSTEM.

THE VETERANS PROGRAMS ARE VERY IMPORTANT FUNCTIONS. OUR VETERANS, I AM SAD TO SAY, OFTEN FACE BARRIERS AND DISCRIMINATION IN ATTEMPTING TO FIND EMPLOYMENT. ADDITIONALLY, THE NUMBER OF BLACK AND HISPANIC VETERANS AFFECTED IS SIGNIFICANT. THE VIETNAM WAR, AFTER ALL, WAS ONLY THE SECOND ARMED CONFLICT IN OUR NATION'S HISTORY WHEN WE ACTUALLY INTEGRATED OUR ARMED FORCES, A CHANGE THAT WAS NOT INSTITUTED UNTIL 1948.

IT IS CLEAR TO ME THAT THESE VETERANS NEED OUR ASSISTANCE. THAT IS WHY I AM DISAPPOINTED THAT THE REAGAN ADMINISTRATION HAS ATTEMPTED TO REDUCE THE FUNDING OF THESE PROGRAMS. IT WAS PRESIDENT REAGAN WHO PROPOSED ELIMINATING THE DIRECT LOAN PROGRAM FOR DISABLED AND

VIETNAM VETS. I HAVE ALSO BEEN ADVISED THAT THE OFFICE OF VETERANS AFFAIRS HAS NOT SPENT ALL OF THE FUNDS THAT WERE ALLOCATED FOR OUTREACH, TRAINING OR CONFERENCES. I WISH, MR. CHAIRMAN, THAT WE COULD ALLOCATE MORE FUNDS TO PROGRAMS LIKE THIS. BUT IT SEEMS TO ME, THAT AT THE VERY LEAST, WE SHOULD BE AS EFFICIENT AND EFFECTIVE AS POSSIBLE WITH THE FUNDS THAT WE DO HAVE.

I AM INTERESTED, MR. CHAIRMAN, IN THE VIEWS AND RESPONSES OF OUR WITNESSES TODAY. I AM HOPEFUL THAT THE SBA WILL SHARE WITH US THEIR VIEW OF THE PROGRAMS. I ALSO HOPE THAT OUR GUESTS FROM AROUND THE COUNTRY WILL BE ABLE TO SHARE WITH US THEIR EXPERIENCES, AND THAT POSSIBLY WE AT THE NATIONAL LEVEL CAN LEARN FROM THEIR SUCCESSES. ADDITIONALLY, I AM

HOPEFUL THAT THE VETERANS ORGANIZATIONS AND THEIR REPRESENTATIVES WILL HAVE SUGGESTIONS ABOUT HOW WE IN THE CONGRESS CAN MAKE THESE PROGRAMS MORE RESPONSIVE AND MORE SUCCESSFUL.

ONCE AGAIN, THANK YOU MR. CHAIRMAN.

Vietnam Veterans of America, Inc
2001 S St., NW
Suite 700
Washington, DC 20009-1125

(202) 332-2700

STATEMENT OF

RICHARD F. WEIDMAN
DIRECTOR OF GOVERNMENT RELATIONS
VIETNAM VETERANS OF AMERICA

Before the

COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON PROCUREMENT, INNOVATION, AND
MINORITY ENTERPRISE DEVELOPMENT

REGARDING

SMALL BUSINESS OPPORTUNITIES FOR VETERANS

May 6, 1987

★ A not-for-profit national veterans' service organization ★

Mr. Chairman, on behalf of Vietnam Veterans of America (VVA), I wish to commend you for your leadership in providing oversight of the U.S. Small Business Administration's implementation of "special consideration" to veterans. VVA appreciates the opportunity to appear here this morning to present our views on this vital issue.

VVA would note that as a result of the hearing this Committee held one year ago today that some progress was made toward better implementation of some aspects of the veterans program. The utilization of the Special Vietnam Veterans Direct Loan Program improved since last May. The SBA is in the process of hiring ten full time Regional Officers, as mandated by the Appropriations Committees. It seems likely that a greater percentage of the funds specifically appropriated for Veterans Outreach and Training will in fact be spent for purposes the Congress intended (The past two fiscal years '85 and '86, the majority of these funds were diverted to other activities.) However, this is only a small part of what the SBA can and should be doing for veterans, particularly Vietnam and disabled veterans.

What is most lacking at the Small Business Administration is any seeming commitment of personnel outside of the tiny staff of the Veterans Affairs Office to translate "special consideration" into anything more than occasional lip service or sometimes distributed brochures.

It is clear to Vietnam Veterans of America that only legislation which defines the minimally acceptable standards for "special consideration" will begin to move the Agency toward any concerted action. The elements that should be contained in such legislation should include, but not be limited to:

a. Mandate existence of a permanent national office of Veterans Affairs with not less than six full-time FTEE.

b. Mandate ten permanent full-time Regional Veterans Affairs Officers,to be under the functional control of the National Office of Veterans Affairs.

c. Mandate part-time (at least 50% of their time) Veterans Affairs Officers at each District Office.

d. Mandate training conferences that shall include every VAO in SBA that shall occur at least once every fiscal year.

e. Mandate orientation/training for all SBA personnel to occur on a regular and recurring basis.

f. A provision that holds both the VAOs and the District and Regional Directors responsible for assuring that at least one major and six smaller training conferences designed specifically for veterans be held every year in each District office; and further, said officials shall compile data and provide guidance to ensure that veterans, particularly Vietnam and disabled veterans, receive particular attention in delivery of all services.

g. That the Administrator of the Small Business Administration issue Administrators' orders and/or federal regulations via the public rule making process to ensure that veterans receive "special consideration" in each and every SBA administered or funded program, including the Small

Business Development Centers and the Small Business Institutes. Further, that the Administrator monitor compliance with the above and formally report to the Congress annually; and, further, such report shall be included in the annual "The State of Small Business" report in accordance with the Small Business Economic Policy Act of 1980, after consultation with the Advisory Committee on Veterans Business Affairs.

h. Create in statute the creation of a permanent "Advisory committee on Veterans Business Affairs" which shall meet at least four times per year. Said committee shall be chaired by other than an SBA official, and shall be consulted by the Administrator, and his agents in seeking the most effective implementation of special consideration to veterans in each and every SBA administered or SBA funded program. Logistical support for said committee shall be provided by the national SBA Office of Veterans Affairs.

VVA does not believe that the above suggestions are by any means exhaustive, Mr. Chairman, but the scope and direction of what we propose should be clear. We would be pleased to work closely with your staff to develop a coherent bill that would move the SBA in the proper direction.

Vietnam Veterans of America believes that the figures on the decline of number of veterans counseled as a percentage of all SBA clients are indicative of an overall decline in activities that are specifically designed to reach veterans. We would note that we have reservations about the accuracy of any of the figures reported on the Management Information System at SBA. However, we do believe that the abandonment of a concerted national effort to reach veterans, limited through that effort might have been, did result in an actual decline of SBA services to veterans.

People seek help where they believe there is real help. Veterans seek help where they believe there is something real in the way of assistance, and that is offered to them in a proper manner, that both preserves their pride and recognizes that they may have special problems. The way to increase the number of veterans served by the agency is to make "special consideration" a reality. If there is an attitude of helpfulness, and real assistance, veterans will come. The VVA receives fewer inquiries about SBA today then we did two or three years ago because so many of our folks have abandoned hope at the SBA and sought assistance elsewhere. The fact that most of the veterans groups did not appear here today is NOT a reflection on the Committee. The Committee is respected; it is the Agency whom the veterans do not believe. Folks are not here because they do not believe that the SBA is serious about addressing the needs of their members who are in business or desire to enter business.

Vietnam Veterans of America hopes and trusts, Mr. Chairman that you and your colleagues will endeavor to cause the agency to get serious by statutorily defining "special consideration" as well as through concerted effort in the appropriations process and by means of continued oversight.

In regard to outreach to special subgroupings of veterans, to include Blacks, Hispanics, and women veterans, the agency has done nothing that VVA is aware of. The SBA has co-sponsored a few small workshops for catastrophically disabled veterans, and participated with the Department of Labor in a special outreach project to Native American and Indian veterans. VVA has, over the past five years, suggested numerous special outreach projects to women veterans, Hispanic veterans, and Black veterans. None have occurred, although all would be useful to these special populations.

The Administration has again proposed to eliminate direct loans to veterans. This program, which is designed to make capital available to Vietnam veterans who qualify, and who cannot obtain it elsewhere, has worked well, although it has been generally underutilized by SBA. Less than $75 million of the $115 million appropriated for this program since its inception in 1983 has been utilized. The SBA did utilize all of the funds appropriated in FY 1986, and the funds for the first quarter of FY '87 have been fully expended. This is a very modest program, which assists about 250-300 veterans per year at the current funding level. The number and percentage of these high risk loans that result in unrecovered assets to the government is relatively low. VVA has always held the position that SBA should not relax the overall rigor of guidelines that are used in disbursement of the 97-72 loans. VVA has consistently maintained that the crux of what the SBA can and should do for veterans is to provide resources that include specific "hands-on" training in accounting, management, marketing, and access to opportunities to learn other actual skills necessary to successful small business operations. VVA favors continuance of this program, with much more in the way of supportive services.

The Small Business Administration contracted for a number of studies in FY 1983 under the general heading of "Veterans and Enterprenaurship." The "Section II: Summary of Major Findings and Recommendations" is included as Appendix to this statement. You will note that one of the major characteristics found is that "Veteran-owned businesses are younger, smaller, and more in need of start-up capital than non veteran-owned businesses." The need is clear and documented by the SBA itself. Rather than trying to eliminate this direct loan program, the Administration should concentrate on trying to do a better job of servicing the veterans who qualify for and actually receive loans under this program, or from other sources.

As to your inquiry as to whether $1.2 million dollars for outreach and training would be sufficient, VVA must answer that we have no idea, as the agency has never spent anywhere near that figure in the past few years. (It is our understanding that there is only $750-850,000 available in FY '87). It is our belief that the agency could effectively spend at least $2 million a year, if there was a reasonable plan of how to do so and an understanding of how those funds could be employed to have a lasting effect. The short term effort, however, should be directed toward ensuring that the SBA does not continue acting in a manner that is contemptuous of the Congress, and of veterans, by spending veterans' funds for other purposes.

In summation, Mr. Chairman, Vietnam Veterans of America thanks you for allowing us to testify here today, and for your leadership in holding this hearing.

We ask that you lead SBA into an enlightened state by means of legislation defining the minimally acceptable level of activity. If Administrator Abdnor, the Office of Management and Budget and the White House will allow the Office of Veterans Affairs to do their job, and support rather than hinder their efforts, we have no doubt they can get the job done. We have confidence in Mr. Bechet and in Mr. Ellis (as we did in his predecessor, Vincent Pagano), that they can do a good job, if only they are unimpeded in doing so. With your help, Mr. Chairman, SBA can be put back to work assisting veterans who are entrepreneurs or would-be-entrepreneurs.

Thank you.

VETERANS AND ENTREPRENEURSHIP

A RESEARCH DIGEST

SECTION II

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

II. Summary of Major Findings and Recommendations

A. Overview of the research

While there was some variation in the findings and conclusions within the research, veterans were determined to be less likely than nonveterans to go into business for themselves. Some differences were found in the relative financial performance of veteran and nonveteran-owned businesses and a significant difference between veterans and nonveterans was found in the type of business selected. Vietnam-era veterans indicated a definite but latent desire to go into business for themselves.

The research describes the average entrepreneur as a white male in his late 40's with a college degree. His chief motivation is the desire to be independent and to face the challenges of working for himself. Most veteran entrepreneurs have worked for someone else, and prefer starting their own business rather than buying an existing one. Minorities and women are a very small part of the entrepreneur population, veteran or nonveteran. However, veteran minorities and women, upon becoming part of the wage-earning population, earn substantially more than their nonveteran counterparts.

The studies which specifically compared demographic and financial characteristics of veteran and nonveteran entrepreneurs found that while veterans are older and better educated than nonveterans, they start and own smaller businesses, need more capital, and earn somewhat less than their nonveteran counterparts. It was determined that veterans are most likely to start businesses in the manufacturing, retail, wholesale and service industries and least likely to enter the finance, insurance and real estate industries. Likelihood of success as tied to geographic and industrial dispersion is similar for veterans and nonveterans.

Veterans who are wage earners tend to work longer hours and more weeks per year than nonveteran wage earners and to go into jobs which correlate with what they did in the military (e.g., pilots, airplane mechanics, police, etc.) Additionally, minority veterans in all age categories earned substantially more in wages than their nonveteran peers.

Entrepreneurs need resources to achieve business success. These resources can range from technical assistance such as accounting, management, marketing, research, and counseling services to access to financing and investment capital. Research findings indicate that substantial resources and assistance are available from public as well as private agencies and institutions and that veteran entrepreneurs do utilize such assistance from the SBA, VA, public interest groups, military, educational, financial, legal and social institutions. Assistance takes the form of management counseling, training, financing, discounted or free services, special access to limited markets and business contracts.

The research also indicates that veterans and nonveterans who use both SBA and non-SBA resources, rate the latter better than SBA assistance. However, SBA products and services are rated as fairly effective. It was noted that those veterans whose businesses perform well had substantially better perceptions of SBA assistance than those whose businesses were faltering. Disabled and minority veterans are more likely than non-disabled, white veterans to use SBA services. Veterans who receive multiple SBA services, (e.g., counseling, technical assistance, research and training) are more likely to increase their performance level than those who receive a single type of service.

Informal investment (risk capital) was determined to be an important potential source of funding for small start up firms, since there is virtually no shortage of informal capital funds available. Veteran-owned businesses, therefore, should direct more of their corporate development efforts towards finding informal investors who have a ready supply of capital and a willingness to invest in both start-up and expansion of existing firms. Findings indicated that informal risk capital is a workable resource available to entrepreneurs in quantities greater than currently used. However, venture capital investors did indicate dissatisfaction with the information channels available to them to identify potential investment opportunities.

Research on SBA loans to veterans concluded that performance or "payback" of SBA guaranteed loans depends on the economic growth rate of the industry to which the business belongs, as well as the economic growth rate of the geographical region in which the business resides. It was recommended that SBA study why its direct loan program to veterans had such a relatively poor performance record.

Research on Defense Department (DOD) contracts found that there is no difference in the degree to which veteran firms are awarded defense contracts by size of contract or type of product or service; and, that there is virtually no difference between the quality of work performed by veteran and nonveteran-owned firms. This does not mean, however, that there is no intrinsic benefit to be derived from having a veteran preference factor present in awarding DOD contracts.

It was found that disabled male veterans are less likely than non-disabled males to be successful in their business activities and to become full-time entrepreneurs. The research indicates that disabled veterans are more likely to be self-employed on a part-time basis in smaller and lower capital and venture businesses than the non-disabled entrepreneur. The VA's system of evaluating and rating disabilities is seen as a major disincentive for veterans, especially the more severely handicapped, because they are either uncertain as to the extent to which their self employment income will reduce their disablility rating and benefits or they know the trade-off and prefer to stay with their guaranteed VA compensation.

B. A Discussion of Methodology and Conflicting Findings

Due to the differences in the study populations, the data bases and statistical techniques used, and the exact questions asked, it is difficult to compare specific findings and conclusions of individual studies with each other. No major conflicting results were noted among the studies; most of the differences in findings could be explained by differences in the sample, the survey instrument, or the interpretation of individual responses.

Some of the studies came up with apparent contradictory findings simply because they had collected and analyzed similar but not completely matching data. Seemingly contradictory results were noted among "Profiling Entrepreneurial Veterans," "Entrepreneurial Choice and Success," and "Veterans' Needs for Management Assistance" because of slight differences in response rates, what the individual researchers considered a meaningful finding, and the statistical significance of those findings.

Some contradictions in study findings came about because of differences caused by sample selection methodology. "Entrepreneurial Choice and Success" considered two population groups, nonveterans and all veterans combined, as did "Differences Between Veteran and Nonveteran-Owned Businesses." Profiling Entrepreneurial Veterans" studied nonveterans, World War II, Korean, and Vietnam War veterans who were alumni of business schools while "Financial Success and Business Ownership Among Veterans" used the same population breakdown but without using business school as a selection factor and also separated out those veterans who had served between the Korean and Vietnam eras. "Vietnam-Era Veterans and Entrepreneurship," of course, concentrated on only the Vietnam-era veteran with an emphasis on the disabled veteran, while "Veterans' Needs for Management Assistance" used population categories of nonveterans, veterans in general, and Vietnam Veterans.

The differing population and education groupings, as well as the size of the groups and the different focuses of each study, reduced the replication value of the research. While the general emphasis of the studies was roughly the same, each study differed in one or more substantial ways.

C. Specific Findings and Recommendations

Numerous findings and recommendations were contained in the nine studies. Some of the most useful and valuable findings relative to Federal policy formulation and program design for veterans were:

1. Principal Findings:

a. Characteristics of Entrepreneurs

- Most entrepreneurs are white, male, nonveterans, often with some graduate school education.
- The self-employment rate for veterans is about 25% lower than that of the general population. (See: Tables 2, 7, 8, 9, 10) therefore,
- Veterans are substantially more likely than nonveterans to be wage-earners than entrepreneurs. (See: Table 7)

b. Characteristics of Businesses

- Veteran-owned businesses are younger, smaller, and more in need of start-up capital than nonveteran-owned businesses.
- Vietnam veteran-owned businesses are smaller, younger, and need more start-up capital than other veteran-owned businesses.
- Veteran-owned businesses differ significantly from nonveteran-owned businesses in their distribution across industry sectors. (See: Tables 1 and 5)
- Vietnam veteran-owned businesses differ significantly from other veteran-owned businesses in distribution across industry sectors. (See: Table 1)
- Veterans start businesses in industries that tend to have a high concentration of smaller firms.

c. Employment and Income Characteristics of Veterans

- Veterans tend to select jobs and businesses directly related to the jobs they held in the military.
- Veterans receive their military training in occupations that traditionally have low civilian self-employment levels.
- Between 700,000 and 1,000,000 Vietnam-era veterans are projected to show a strong interest in self-employment.
- Disabled, female and minority veterans were less likely to become entrepreneurs than their nonveteran counterparts. (See: Tables 2, 9, 10, 11)
- Veterans earn substantially more as wage earners than as small business owners. (See: Tables 3, 4, 6, 12, 13, 14)
- Self-employed Vietnam-era veterans earned incomes that were somewhat less than the incomes of their self-employed non-veteran counterparts. (See: Table 4)
- After an initial lag, wage earning nonveterans of each war period had higher incomes than comparable wage earning non-veterans. (See: Tables 3 and 12)
- Veterans of each war period more frequently hold full-time jobs, are less frequently unemployed, and work more hours per year than nonveterans.
- White Vietnam-era veteran wage earners earned less than non-veterans of the same age and education by 5.7% per year of service, but this income loss was temporary and later they followed the same higher earning patterns as veterans of previous war periods.

- For certain veteran subgroups, e.g. minorities, women, high school dropouts, annual wage earnings were substantially higher - up to 36% more income than their nonveteran peers. (See: Table 3)
- Female veterans earn substantially more in self-employment income and wages than their nonveteran peers. (See: Tables 3 and 4)
- Disability increases the likelihood that a business will not succeed and probably decreases the chance of survival beyond 3 years.
- Disabled veterans who are self-employed are more likely than other male, self-employed individuals to be self-employed part-time, have fewer employees, and generate lower earnings. (See: Tables 4 and 12)

d. Other Findings

- Guaranteed SBA loans perform better than direct loans.
- There seems to be no shortage of informal risk capital funds, nor an unwillingness to provide funds to small or veteran-owned businesses but channels of communication are weak. (See: Table 21)
- In SBA's sunbelt regions, 4.7% of small businesses had informal investors.
- Veteran informal investors, especially Vietnam veterans, tend to invest in veteran-owned businesses. (See: Table 22)
- Both entrepreneurs and non-entrepreneurs have doubts about the effectiveness of current Federal small business assistance programs.

- SBA is not meeting the needs of Vietnam veterans because of the low quality of services and limited program promotion.

2. Specific Recommendations

- SBA needs to make its services and programs better known to the small business community, veterans organizations, and members of the Armed Services approaching separation or retirement.
- SBA Central Office should train its field office staff in more effectively assisting veterans, encourage prompt and consistent response to veteran inquiries and streamline operations, perhaps offering "one-stop shopping", especially for the disabled veteran.
- SBA should develop, at the local District Office level, contacts, channels of communication, and financial information on and with informal investors to assist veterans in tapping that vast source of high risk equity financing.
- SBA should design and conduct training programs for veterans to develop strategies to successfully negotiate financing/ownership contracts with informal investors.
- All SBA management courses should be professional, intensive, include hands-on experience, and as possible, be offered through the assistance of SCORE or other successful volunteers. SBA and business or trade schools should consider working together, perhaps through the Small Business Development Center program.

- SBA should develop training programs that address the management problems of small, undercapitalized firms in their early stages of growth, with less than 20 employees.
- Networking or support programs like the Veteran Business Resource Councils should be expanded and encouraged to provide assistance to veteran business owners.
- Other Federal agencies should consider monitoring the level of participation of veteran-owned firms in Federal procurement programs. (See: Tables 17 and 18)
- The impact of the VA rating system on the entrepreneurial initiative of disabled veterans should be studied. Veteran affairs information should be shared with the VA and discussions held about possible joint programs.
- SBA should review the performance of the Handicapped Assistance Loan-2 Program and determine if there are distinct patterns of use by degree and type of disability and if these veterans need special assistance from the VA or SBA.
- Modifications to the 8(a) Minority Business Development and Procurement Assistance, and 7(j) Management and Technical Assistance Programs to include Vietnam era veterans and/or disabled veterans should be considered.
- SBA should use the VA Vet Centers more heavily. SBA should explore with the VA the possibility of providing the services of a loan officer and SCORE representative on a trial basis in selected Veteran Service Centers around the country.

- SBA should package its financial and management assistance services for veterans and integrate the SBA management assistance program with the loan programs.
- SBA should evaluate its management assistance to veterans to determine its impact and more clearly identify specific needs.
- Annual goals for increasing veteran involvement in current SBA programs should be established.
- Handicapped and minority veterans should be targeted to increase their self-employment rates and earning levels.

And, finally,

- SBA must make a basic policy decision whether to target Vietnam-era veterans as a priority group for service to raise their self-employment and earning levels.
- If SBA decides to give Vietnam-era veterans special services, it must provide more resources to meet the demand.
- If SBA decides against giving Vietnam-era veterans special services, it should re-evaluate its current policy and program of special consideration to all veterans. The current confusion in the message is that while special emphasis is merited, there are insufficient resources. The result is that the Vietnam-era veteran is developing a negative image of the Agency because of unfulfilled expectations. For a more extensive listing of the recommendations from the studies in this Digest, please refer to Appendix B - Recommendations.

○